

# *Preface*

Customer relationship management (CRM), according to some cynics, is simply yet another acronym that represents yet another set of technologies that represents a huge technology market for hardware and software vendors. Just about every software vendor is jumping on the CRM bandwagon. Every component technology is being pushed as a must-have CRM “solution.” From call-center headsets to esoteric strategic consultancy and everything in between, it’s all CRM! However, despite this, CRM is beginning to stand, as a discipline, on its own feet.

This book attempts to provide a new way of looking at CRM. It draws on my own experience at the CRM front lines, in market research, consultancy, and, most recently, with a CRM software vendor. Therefore, it presents a personal view of what CRM should be. The book will be successful if it encourages those responsible for implementing CRM solutions to consider how technology should be applied in order to achieve an overriding corporate ambition: to create an organization that has a customer base of brand champions.

Few organizations achieve this goal. All too often only lip service is paid to good CRM practices.

We are all consumers. We all know, instantly, what is good service and what is bad. We all know what will make us engage with a business that hopes to sell us something, and we all know what will turn us away and ensure that we never return. All of us have an implicit understanding of what works and what doesn’t.

We call the shots. We approach only the organizations that interest us. Often unsolicited cold calls repel us. Increasingly, we’re fed up with junk mail

and we watch TV ads for entertainment value only. We know all the marketing jargon. We can read through the hype.

We all get a strange sense of satisfaction after having the experience of bad service, poor quality, or awful delivery when, despite the vendor's protestations, we refuse to remain a customer. We enjoy taking our business elsewhere. And if there are barriers to moving our business, we seethe with resentment and get back by bad-mouthing and carping.

We are more likely to engage in dialog with organizations we know and trust and have had good experiences with in the past or with those that have been recommended to us.

So what a relief it is, even though it happens infrequently, when we find an organization that does things differently—one that listens to us, owns our problems, and provides a solution exactly suited to our needs. It then checks back to ensure that we stay happy. Then, after building up a relationship with us, it will contact us and suggest ways of saving money or doing things better. Or, more likely, we may contact such organizations ourselves—fully expecting that they will know of previous communications or transactions and will give us extra special service as a result. What an utter relief, but so rarely does it happen.

Indeed, I can think of few organizations that I do business with that have adopted truly exceptional customer-care processes. One is called First Direct Bank. I have heard so many presenters make reference to First Direct Bank that I find it almost embarrassing to mention here; surely I could come up with, say, some Bolivian insurance company that has cracked CRM. But no, it's that First Direct example again! In the United Kingdom, First Direct almost defined the model for direct banking and many other banks have copied them and achieved enviable standards of customer care. In the United States, several direct (telephone) banks have also achieved higher standards of customer care and customer engagement processes than those associated with traditional banks with branch networks.

Organizations that do CRM well are easy to spot. Look for consistent and understandable branding, articulate communications, grasp of telephone and Internet technology and customer engagement processes. Customer care and marketing processes are one and the same in such companies.

This book suggests that CRM, as a technology and corporate concept, is changing. Customers, increasingly, define the nature of the relationship. Therefore, CMR (for "customer managed relationships") would be a better

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acronym. However, because CRM is the one of choice for vendors, consultants, and analysts, it's the one that will be used throughout this book.

The change that's happening in CRM is coming about for a variety of reasons, all of which will be articulated in the chapters that follow. Large companies are driving CRM in new directions, making central systems support ubiquitous systems such as Web sites and distributed customer support operations. New, more open, standards for connecting applications make best-of-breed CRM tools much more attractive. Marketing concepts are being embraced by CRM as mass marketing and direct marketing lose their grip on marketing budgets. And CRM, as a discipline, is extending its influence beyond customer care and into front-office and back-office areas.

However, more important than all of these trends is a growing realization that technologies that could ostensibly be described as CRM in the past just don't cut it any longer. Automatic Call Distribution (ACD) technology that simply gets in the way of interpersonal communications is not acceptable. This sea change has come about because of a desire to return to some tried and trusted principles of customer care that used to be followed before centralization caused businesses with local community resources to get rid of them in the name of progress.

As our society has moved away from local communities to global brands and centralized services, we have, at the same time, lost the very structures that used to stand for excellence of service. Think back, not so far. It used to be that local people from the community provided business services. Bank managers used to make decisions on lending. Insurance reps used to call door to door. Household deliveries of life's essentials used to be much more commonplace before car ownership became ubiquitous.

Early efforts at CRM attempted to put in place what got lost. Costs were reduced, but so was any sense of involvement. Therefore, customer loyalty diminished.

Community-focused business was based on four key tenets: knowledge, reciprocity, easy communications, and local context. Early attempts at CRM didn't even come close. Let's have a closer look at these four tenets.

1. *Knowledge.* Community-focused businesses had a unique wealth of local knowledge. This knowledge was tacit, meaning that it was difficult for outsiders to tap into. However, tacit knowledge was typically passed on in family-run businesses. Traditional on-the-job
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training systems also ensured that knowledge (along with standards of customer care) was shared. Customers benefited in terms of more approachable, dependable local services delivered by people who were known within the local community.

2. *Reciprocity.* It's a simple fact that in small communities a supplier often cannot afford to damage a customer relationship, because news travels fast. In addition, customers may themselves be influencers of other customer relationships. Therefore, the concept of unscrupulous supplier does not hold in a small community, because the consequences, in terms of reciprocal action, will be rapid and severe. Road rage is unknown in rural villages but is common in urban metropolises.
3. *Easy communications.* Where two parties to a complex transaction are close at hand and know each other, the likelihood is that both will be in tune very rapidly. Deals can be suggested and concluded almost immediately. Where parties are distant and unknown to each other, third parties such as lawyers and agents may have to be involved, adding cost, complexity, and excuses for disaffection.
4. *Local context.* Local suppliers have a better view of what the local community might need. Village stores are quite competent at putting out the most appropriate merchandise at the most appropriate time of the year. Appropriateness of offering depends on local, community-focused knowledge.

Modern customer service organizations are rarely part of the local community in terms of serving that community's needs (even if they are local employers). Rather, we tend to assume that if we need any type of customer service, we will be involved in an arm's-length transaction.

Modern service organizations realize this, of course. Phrases from CRM babble very obviously pertain to this lost community focus. We, as CRM practitioners, talk about restoring customer intimacy. How can a customer relationship be intimate when the customer is one of over a million and whose only method of engaging is via a telephone or a Web browser? It can be. This book discusses CRM concepts and debates whether current received wisdom in CRM is appropriate.

Before launching the reader into Chapter 1, where a revised definition of CRM is offered (recognizing the central importance of effective communication in creating profitable relationships between both parties to a relationship), it may be worth revisiting the four tenets outlined previously. Would it

be appropriate in developing CRM processes, procedures, and information systems to reestablish those four tenets? I hope this book is successful in presenting a case for responding with a simple, unfaltering, and resounding “yes.”

Herein lies a unifying theory of CRM. Central to this unifying theory is the simple concept of service and brand coming together. This concept is discussed in much greater detail in later chapters of the book. However, I can understand why such an idea could make typical IT managers and those responsible for defining CRM processes a little uncomfortable.

Potentially, it also makes other groups within the corporate body a little uncomfortable too. If a brand falls within the scope of CRM, then the shake-up required in terms of typical business functions is radical, even revolutionary. In short, customer support, sales, marketing, and all of those other so-called front-office functions need to coalesce. There cannot be demarcations between disciplines any longer, because the divisions and demarcations create political structures that militate against effective CRM processes.

The obverse of this, of course, is the fact that the CRM function itself becomes one superfunction with multiple facets. Some facets will be marketing-like, others support-like. But the more the separate disciplines can be transparent and the more CRM provides unifying glue, the more appropriate customer processes will become.

From a technology point of view there are two main consequences. On the one hand, so-called CRM suites will diminish in importance because they do not provide the unifying approach that is required. At this time, no single software vendor can provide all the key CRM components. Nor will any vendor be able to. In large companies, in particular, legacy data are critical. As we move forward, the provision of just-in-time applications or information will cause monolithic and internalized CRM strategies to be torn down. CRM intermediaries—process outsourcers—will grow in importance. Relationship aggregators will also be born—channels to market that know how to develop strong, lasting customer relationships.

The unifying glue will increasingly be provided through the Web services model, although traditional operational systems will continue to play a key role in a manner that only the Web services model can allow. In Chapter 4, an argument is put forward for this. Integration is the new mantra. Integration is the unifying glue. Increasingly, hard-coded applications will be replaced by unifying CRM connectivity. From a technology perspective, XML and other open connectivity architectures and toolkits will grow in importance in the

short term. The vendor weight behind XML and SOAP (the subset of XML and the standard for the delivery of Web services) is now too great for this not to happen.

Analytics will become more and more automated to drive actions and to make the process of customer engagement more streamlined and less subject to corporate faux pas. And, most important, in organizations that grasp this approach, customer-facing processes will pervade the organization. This will not happen in some happy clappy mission statement–like way. Rather, truly exceptional companies will think and breathe making their customers brand champions. Make one customer an advocate, a champion, an evangelist, and you will have many profitable customers and minimal costs for customer acquisition. In short, you will have found the corporate holy grail.

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# *Acknowledgments*

This book was originally discussed with Theron Shreve of Digital Press approximately a year ago. I have been working on it in fits and starts during that period with a final flurry of activity over the past three months. At several points I was convinced it would never be finished, but I am delighted that it has been done. Theron's very subtle cajoling was invaluable in getting me started again when I had lapsed into zero book-related activity!

In writing this book I have been assisted a great deal by some colleagues and friends. Erik Hille was essential in researching and writing the greater part of three chapters. Working almost entirely on his own time while trying to perform brilliantly in his product-marketing role at Amacis, Inc. was quite a feat. But I very much appreciate his input and support.

I must also thank the senior staff at Amacis for providing me with Erik's assistance and giving me some time off to work on the book during my employment with the company. I would also like to thank Dr. Bob Mann for providing me with much of the content for Chapter 2 on customer interaction management. His assistance was invaluable.

Thanks are also due to Roger Keenan of Eyretel for reviewing relevant chapters and providing very useful feedback. Further, I'd like to thank Peter Hutton of MORI for his very generous comments about the final few chapters of the book.



# *The New Customer Challenge*

## **1.1 Change is happening**

Customers are changing. They're becoming more slippery—more difficult to catch and hold onto. They are slippery because they have access to more and more information about goods and services and choose to communicate in new ways. And communication—effective communication across all customer touch-points—is what, increasingly, customer relationship management (CRM) is all about. Customers also want to choose the nature of the relationship. They are becoming more arrogant, more educated in the marketing process. They don't want to be sold to. Rather, they are, more and more, choosing brands that they associate with excellent, nonpatronizing, communication processes.

Customer relationship management is the vendor's reaction to the more slippery customer. CRM history is not good, however. Many CRM implementations have paid only lip service to good customer communication practice. According to Gartner Group and other industry analysts, most CRM implementations fail. This book seeks to redefine what CRM is truly about—a corporate attitude toward customers that embraces what used to be called marketing, customer support, and even sales. CRM is an attitude. Unless vendors are able to see and hear their customers, they will never get to know them or understand them. As channels of communication have developed, many customers still remained practically invisible. Their e-mails have been ignored and their requests for information dumped. This eyes-and-ears-closed approach to CRM no longer works.

Throughout this book we refer to the *vendor*. This term refers to an organization (it may be a government agency) that seeks to do business or provide a service to a customer. We refer largely to business-to-consumer



(B2C) relationships, but many of the same principles apply to business-to-business (B2B) relationships as well.

This first chapter discusses what CRM is all about—as well as what it isn't—and proposes a new definition based on the customer's perspective. We propose this approach because we assert that traditional definitions of customer relationship management have been defined from the vendor's perspective, a perspective that assumes that customers all behave the way vendors expect they should.

## **1.2 A technology focus?**

Although much of the content of this book focuses on CRM technology, our definition does not. CRM as an acronym has come into common use and means different things to different people. What we try to do in this book is to frame our discussions within a wider definition of what we believe CRM to be, including several influences from the areas of customer satisfaction and brand development. We discuss whether CRM technology solutions as they are currently constituted are enabling companies to have better CRM processes. Along the way we discuss analysts' definitions of CRM and what key CRM processes need to be considered, with a particular focus on analytical processes and customer interaction management.

We also focus on how marketing and CRM processes ultimately overlap. We focus further on how research—brand research in particular—must play an extremely important role in defining how the customer should be engaged and nurtured over time. This chapter sets the scene by making use of some empirical market research. Asking customers what they think is a key CRM process, which is often totally overlooked in the pursuit of installing a CRM software suite.

Ironically, our definition implicitly assumes that, in certain circumstances, customers may choose *not* to want a relationship, or certainly not a long-term relationship. Therefore, our definition of CRM has to be all-encompassing to the extent that in certain situations, a customer may want CRM (insofar as a customer has any interest in CRM) to mean a simple exchange of goods, in the most matter-of-fact manner, without any need for further interchange between parties. Put another way, certain customers, in purchasing certain types of goods or services, behave more like what economists call “rational man.” To an extent, however, this book assumes that its users do have customer bases in which the customers do want to engage over an extended period with their organizations.

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Further in this chapter we'll show, through the use of market research data, that customers have a greater propensity to demand richer and fuller relationships with certain types of organizations than others. By "richer and fuller" we mean relationships with more complex communication systems and general involvement from both parties. However, this does not necessarily mean that only those organizations with which customers want a more complex relationship need to worry about CRM. Rather, all organizations have to consider what flavor of CRM systems they should install and how information technology has to be involved. They also need to consider not just their product or service proposition but the nature of the customer they want to service—relationships that will produce rewards for both parties.

## 1.3 What's it all about?

CRM, in my view, is about people on both sides of an exchange understanding each other. In economics-speak, it is also about deriving some form of utility or satisfaction from that exchange. The challenge for any supplier organization is to maximize the utility derived by the customer, because if utility is maximized, the customer is more likely to repeat purchase. (However, certain caveats have to be applied. Making value judgments about the customer is implicit in any CRM process.)

Utility maximization may depend on subtlety of approach, knowing when to cease a dialog or not to enter into a dialog in the first place. However, it may also depend on the ability of a supplier organization to embrace a host of communication channels, being open all hours and always initiating contact. Or it might be somewhere in between these two extremes. At this point it would probably be appropriate to introduce a definition. It may also be helpful for the reader if we were to highlight the key words in our definition and to argue the case for including them.

Customer relationship management (CRM) is about understanding the nature of the *exchange* between customer and supplier and *managing* it appropriately. The exchange contains not only monetary consideration between supplier and customer but also *communication*. The challenge to all supplier organizations is to optimize communication between parties to ensure *profitable* long-term relationships.

Given the importance of brand-related issues (expounded at length in later chapters) readers may be surprised that brand, or brand loyalty, does not enter into the definition. However, understanding the brand in its context and the nature of the relationship that the customer has with the brand, help

to define the nature of the communication exchange. At an organic level, however, CRM is about communication with customers, and it should be a pervasive ethos throughout the organization.

Let's examine each of the key words in our definition and explore it a little more. First, let's consider the *exchange* between buyer (customer) and supplier. As our definition makes clear, the exchange contains monetary consideration and communication. However, monetary consideration is not merely the price the customer agrees to pay. Salespeople often overlook the fact that the accounts receivable department may not like some of its best customers. A good customer to one person in the organization (the sales-person) may be the customer who always pays undiscounted rack rate. However, a bad customer to someone else (the credit controller) may be the customer who consistently pays 120 days past due. But both customers may be one and the same. The challenge to any organization is to have a consistent method of rating the customer as "good" or "bad." There has to be a recognition that such a rating may depend on a series of interacting metrics. Chapter 10 discusses in much more detail various methods for determining how these metrics can be employed to define brand strategy and to identify optimal customers.

The desirable or good (or optimal) customer may merit more communication exchange as well. Because communications with customers can be costly, the extent to which any organization involves itself in communication—solicited or unsolicited—depends on the perceived value of the customer. The value rating associated with a customer is obviously dependent on the establishment of a relationship of sorts. In the early stage of a relationship, making these value calls—and appropriately pitching the communication—is more difficult. As a result, appropriately defined and structured data are essential in establishing the customer value rating and the nature of customer communication. These concepts are discussed in more detail elsewhere in this book.

The reference to *managing* the exchange between parties requires two aspects of exchange to be coordinated: consideration and communication. Remember, consideration embraces not just monetary payments but also other issues related to the price paid for goods, such as creditworthiness and speed of payment. Communication, similarly, encompasses a variety of different communication channels and, possibly, communications that derive from various parts of the supplier organization. Getting communications right depends to a large extent on having complete information about customers in all parts of the organization.

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An example can explain this better. Many professional bodies and charities now offer “affinity” credit cards. The credit cards are issued by a variety of banks that print the cards with the branding and color scheme of the charity. The charities are paid a small percentage of each transaction incurred by charity supporters (or people who just want to feel good about themselves, regardless of their motives) who obtain these affinity cards. However, it soon becomes clear to affinity cardholders that their relationship is with the issuing bank. The bank supplies the monthly statements and receives payments from the cardholders.

Separately, the bank may direct-mail a low-interest credit card offer to the customer who holds an affinity card with the bank. This low-cost card may look like a more attractive proposition to the affinity cardholder, who may choose to close the affinity card account in favor of a low-interest credit card from the same bank. The charity loses. The bank loses because it treated customer communications and marketing communications as mutually exclusive activities. But, ironically, the customer gains at a personal level but not at an ethical level. The degree of engagement or bonding with the brand will also have been weakened, because the bank has persuaded the customer to switch cards on the basis of cost saving rather than for higher-order brand values. The customer may be more satisfied, but the customer potential lifetime value with the bank brand will have diminished. This concept of brand engagement is also discussed at length in Chapters 6 through 10.

Understanding the interplay between customer-facing communications media and various departments within an organization is one of the greatest challenges in modern business. It is at the heart of customer relationship management and unites a variety of CRM disciplines. The process is discussed in considerable detail in this book. However, getting the process of communication and exchange appropriately pitched for the customer is what makes the relationship with the customer *profitable*—the final element of our definition. Why? Because the intention is to make communication relevant, informative, and appropriate in a manner that adds value to the relationship. Inappropriate communication is waste that results in no value. In a best-practice CRM environment, all communication is appropriately pitched and relevant because CRM is about closing the loop—constantly checking that the nature of engagement is appropriate and that the customer continues to connect with the brand. It is also about ensuring that disconnection with the brand is anticipated.

## **I.4 CRM: C for communications?**

The communications conundrum may not be complex, however. Many organizations claim to have a well-developed set of CRM processes, but they fail, at the most basic level, to appropriately communicate with their customers. (Later in this chapter we focus on banking to illustrate how a fundamental disconnect may exist between customer expectations of communication standards and the reality, thereby resulting in missed opportunities for relationship development.)

In December 2000, the analyst firm Datamonitor claimed that the percentage of abandoned online transactions that could be salvaged and converted to sales would reach 8.7 percent by the end of the year. This translates into \$10.9 billion in lost e-commerce revenues. They found that “e-mail response continues to drive the greatest portion of customer dissatisfaction. Shoppers expect immediate response to their inquiries, but e-mail response time remains dramatically inefficient, sometimes taking days. The demand for online satisfaction has become so overwhelming that many companies cannot keep up.” Recent studies by U.K. market research agency MORI<sup>1</sup> show that while most companies want cozier and more profitable relationships with customers, few have invested in the necessary technology—technology not to get in the way of the customer but to support the volumes of customer interaction that are likely to result from opening the Internet communication channel.

And what about customer wants? Well, Internet shoppers have a realistic expectation that if they have a support issue they should be able to seek redress via e-mail or via the Web site on which they made the order. Yet, almost 50 percent of consumers said they felt that technology was making them feel more remote.

The customer, and how best to service his or her needs, is right at the heart of the business debate. It’s been long understood that winning new customers or, more likely, snatching them from competitors until a better offer snatches them away, is costly and ultimately unproductive. At the same time, retaining customers and winning their loyalty becomes increasingly more complex as the channels they use to buy and receive service proliferate. So what are companies’ intentions, and what are their views of the future of customer management? This chapter sets out a number of perspectives on communication channel proliferation.

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1. MORI e-banking Study for Amacis Ltd. November 2000.

## **I.5 CRM practitioner views versus customer views: The data**

Current conventional wisdom is that the essence of customer retention is to develop a relationship and manage it with the aid of technology. What do new technologies promise those responsible for crafting profitable and fulfilling customer relationships?

The data presented here are based on interviews with large commercial organizations, with dot-com firms, with financial institutions, with the proponents of next-generation technology, and with consumers. These data show how companies are adopting new technologies both today and for the future and analyze the dynamics of the B2C relationship, the primary focus of this book.

Although companies recognize the pitfalls and difficulties involved in creating a unified customer management process, these companies are nonetheless busy taking the steps they hope will help them to achieve just that. Why do they believe this unity to be so important? Well, during the next two years, customer service heads expect all major direct communication channels to increase in use. And just as the growth of the road network led to gridlock, so will these anticipated increases lead to customer frustration and defection unless companies find a way to link these communication “stovepipes” and get the so-called 360-degree view of the customer (although this is a much overused term in CRM circles that has become somewhat meaningless). Even if a high proportion of these extra interactions are to be managed automatically, will companies be ready with the sophisticated customer process systems they believe essential?

Corporations in consumer-facing sectors have assimilated recent new channels. The telephone call-center, the Web site, and e-mail are all part and parcel of what’s needed to do business these days. The next leap forward is data communication on the move, affording wireless consumers the “anytime, anyplace, anywhere” experience. To reinforce the bullish views already quoted, a recent survey by U.K. research consultancy Vanson Bourne for CRM specialists London Bridge Software showed that 92 percent of e-business and customer service directors said they would make every channel available to customers, whatever it might be.

In a recent survey of telecommunications managers conducted on behalf of CSC, Vanson Bourne found that only a third of large commercial companies have a mobile communications strategy in place. So, although e-business

and customer service heads make positive noises about overlaying any new channel as it comes along, they evidently have some selling to do internally to the people who own and run the corporate communications technologies.

What words of encouragement can the companies who recently invested billions in third-generation (3G) mobile licenses add to push that internal debate? How will 3G technology affect the process of business-to-consumer communication? Research undertaken for this book about how business customers will use third-generation mobile technology to improve customer management revealed the following comments from senior managers in mobile service providers that have acquired 3G licenses in Europe (at great cost).

3G will make happen [in mobile devices] whatever currently happens on the Internet, if a company wants to do it. Any application you can build into a Web site will be accessible by some kind of mobile hand-held device.

Predictions are that by 2004 60–65 percent of devices accessing the Internet will be wireless. It will revolutionize people's ability to consume certain types of information when mobile.

It's a key enabler for mobile commerce. We're already seeing that people are looking for more information in the visual world than the verbal world.

Companies will receive and need to field more mobile communications—we are talking about the death of distance.

Look at banks. It's no longer acceptable for customers to be expected to go to a branch at lunchtime. Now they do phone or Internet banking because it's convenient. Users will come to demand that kind of access wherever they are. Any business that's providing customer access via the Internet will have to replicate that access to the new mobile hand-held device.

Businesses will automate their communications with other parts of the supply chain and the mobile workforce. This will both improve speed and efficiency to customers and reduce costs.

If there's a Web-based application businesses are using to serve or supply customers, then they have to assume that consumers are going to want access to it, and to a really good quality, when mobile.

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The speed and bandwidth of UMTS<sup>2</sup> make video a serious possibility. Old jeans and a T-shirt won't do if the customer's a retired stockbroker! Call-centers will become much more answerable to the public; it's no longer just the PR manager who's the voice of the company.

Although one mobile service provider described what is coming as a "revolution," the reality is that a number of gray areas remain, not the least of which is the cost of 3G connection, given the huge sums paid for licenses and the nature of the hand-held device. Some light needs to be shed on these before either consumers or businesses are likely to line up for 3G. However, we expect wireless access to become a fact of life and as one mobile service provider told us:

You have to embrace m-business because your competitors will. However, don't simply take all your existing business processes and make them available to the mobile user. That will need to be developed specifically with the mobile user in mind.

Suffice to say that consumers will find new ways of testing companies' ability to know, understand, and serve them. Businesses will need to change again, but will the foundations upon which that change must be built be up to it? Companies have already had to move far and fast to change their customer service models. They understand that excellent customer service is a *sine qua non* these days, as a key means of differentiation in the climate of commoditization and churn. Customer relationship management has become a buzzword, the means of underpinning growth objectives. However, we repeatedly ask the question, throughout the course of this book: Are current CRM processes up to the task of managing even the current communications channel mix regardless of what is around the corner? We debate how best to achieve a combination of customer satisfaction *and* brand bonding. These topics are discussed at length in Chapters 6, 7, and 9.

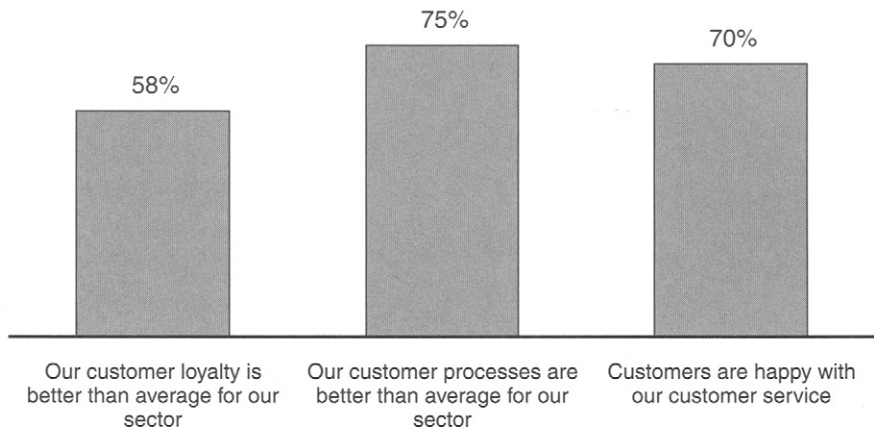
Vanson Bourne's study on behalf of London Bridge Software, a CRM software vendor, showed that companies have a rosy view of how well they are performing in customer management terms, as the chart in Figure 1.1 demonstrates.

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2. UMTS—Universal Mobile Telecommunications System.



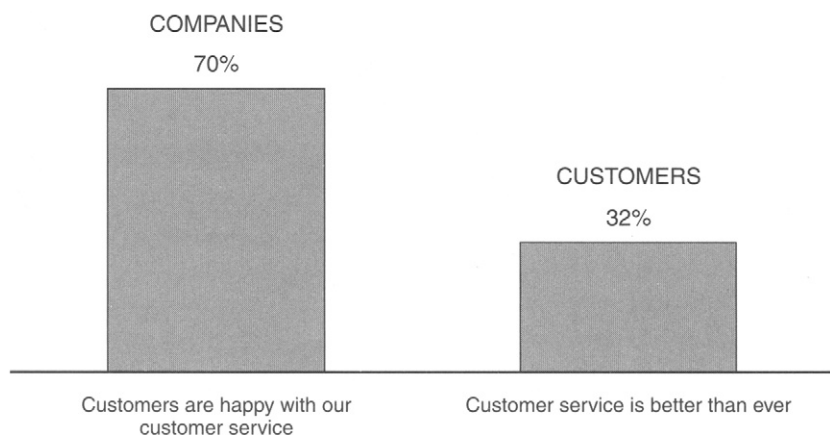
**Figure 1.1**  
*Assessment of  
a company's  
performance in  
customer service*  
(Source: Vanson  
Bourne/London  
Bridge Software).



Evidence of ostrich syndrome? Although 75 percent of companies *could* statistically perform better than average in customer processes, it is pretty unlikely. Worse is the proportion that thinks customers are happy with their customer service, as Figure 1.2 shows.

The same survey showed a marked divergence between companies' perceptions and the experience of consumers, reinforcing the fear that complacency prevails and that investments to date in servicing customers are not generally bringing about the improvements anticipated. In a separate survey for CSC, the researchers found that 70 percent of consumers had experienced and could recount the nature of poor customer service. "Staff demonstrating a lack of knowledge" was the most common complaint. Not until appropriate systems are introduced at the customer interface is that issue likely to go

**Figure 1.2**  
*Companies' and  
consumers'  
contrasting  
perception of  
customer service.*



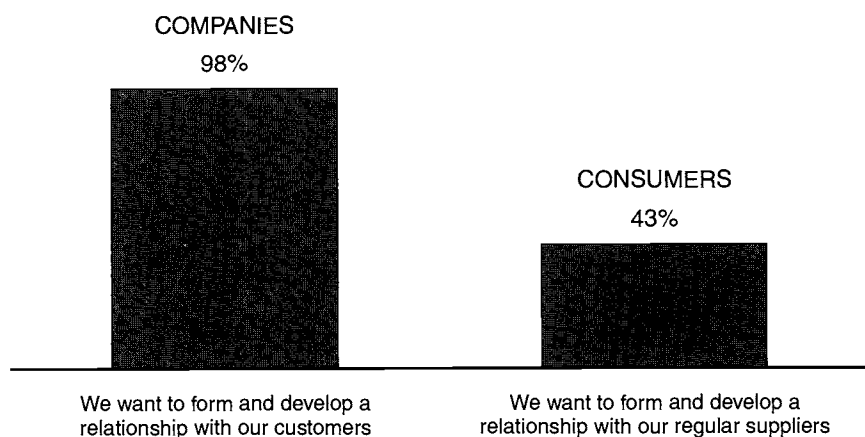
away. New channels and interfaces discussed earlier may well aggravate rather than remedy this situation.

Another myth that needs exploding is that all the good work companies do to provide great service and products is, in general, contributing to a “relationship” with the customer. As we hinted at the beginning of the chapter, not all customers want a relationship—or the type of relationship the company had in mind. Receiving good service and experiencing quality product naturally inclines consumers to return when there is a need, but no more than that, as Figure 1.3 shows.

The types of organizations that consumers do want to have a relationship with (when they are asked) include the bank, other financial services organizations, and “community” institutions such as a medical practice. Companies need to redefine the term “relationship,” think of a new one, or be doomed to the disappointment of the unrequited. Whatever they decide to do, it is key that they find out what it is about their customer service performance that causes customers to be so unresponsive to their demonstrations of affection.

Consumers are quite aware of what they perceive as the interposition of technology between them and the companies that serve them. In two separate consumer surveys, each of 1,000 individuals across the social scale, less than one-third were positive about the increased use of technology, while almost half believed that technology is actually making them more remote. Couple these statistics with the number-one complaint about the “complicated automated phone systems” (interactive voice response systems) and we see that the dream of transparent technology that will allow companies to focus on excellent service remains just that—a dream.

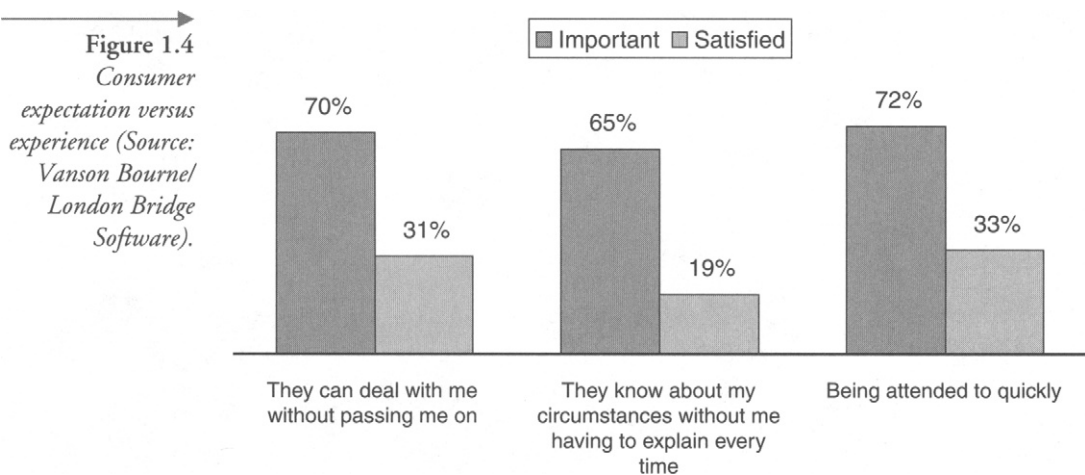
Figure 1.3  
*Contrasting need  
for a “customer  
relationship”*  
(Source: Vanson  
Bourne/London  
Bridge Software).



At a macro level, here are the three things most consumers consider fundamental to good customer service and how well they think companies are performing in those areas (see Figure 1.4). It makes unpalatable reading for customer service directors, whatever channels they have and plan to have.

Younger people are shown to be generally more comfortable with companies' use of technology than their elders. So companies can either wait for the demographic pendulum to swing in their favor or start figuring out now what they need to do to make technology transparent and supportive.

A survey of banks undertaken by MORI showed that the single most important issue facing retail banking is "the development of new channels"; 38 percent of banks cited this, the second being "reducing costs/improving productivity" (new channels being a potentially key factor in achieving this as well). They also saw e-mail as the fastest growing customer channel. However, in "mystery shopper" e-mail tests carried out by consultants KPMG and many others, banks and other financial services organizations are poor at responding to customers who choose to use e-mail or Web forms as their method of communication. Responses were often too generic to be of any value, and, in many cases, no responses were forthcoming at all. Surveys conducted by software firm Amacis<sup>3</sup> in the United States in late 2000 show that within the 100 leading banks in America, over 25 percent do not respond at all to e-mail inquiries from potential customers. Similar studies conducted in 2001 confirm that the situation is hardly improving.



3. Amacis/Roper Starch Survey, November 2000.

Whether companies recognize it or not (and most seem to), still more waves of change are about to engulf customer-servicing and channel-management functions in consumer-facing organizations. From an e-business perspective, those changes afford new ways of differentiating and cross-selling in an ever more competitive and commoditized world and, as we saw at the beginning of this chapter, the changes are being anticipated eagerly by some.

Yet, there are issues at the level of consumer satisfaction when we examine customers' comfort with the apparently less-than-seamless technology interfaces they experience today. As use of other direct channels increases, the unified view of the customer will become even more complex, and customers may well get ever more disenfranchised unless action is taken. The nature of action is discussed later in this book.

Most companies are trying to move with the times, and they should be applauded for it. But as we have seen, customer expectations have risen fast, and large companies just can't keep up. It might just be the death of them if they can't.

This chapter has highlighted where some of the discrepancies between consumer and company perceptions lie. The intent is not to chastise but to encourage and motivate improved customer service. Customers need a reason to stay, but more often than not, they are given a good reason to leave. The reality of good customer service is that it *is* attainable. Customer service directors need to take off their rose-tinted spectacles and see the real Technicolor spectrum that characterizes their customer base.

To return to our definition, CRM strategies are failing in companies today because they fail at the most basic level—the level of communication. Where CRM strategies succeed, they do so at that level too. Appropriate communication, reflective of the customer need, is an easy concept. Where companies have huge diverse customer burdens it's a great challenge. But for many companies, the technologies they have chosen to improve customer communications are simply the wrong ones. They have invested in the wrong areas.

## **1.6 A focus on the e-mail channel: A study in nonperformance in U.S. and U.K. banking**

Customer relationship management (CRM) is much talked about these days. All types of organization want to have meaningful relationships with custom-

ers. The language of marriage has entered commercial life. People do not buy things any longer; they augment their relationship with a supplier. And, from the supplier's point of view, that presents powerful opportunities for cross-selling, targeting, and clustering.

The problem is that most people do not choose to have relationships with organizations with which they do business. They just want to buy the widget or service and move on to something more important. And that is particularly the case with the Internet. The Internet is a handy channel to market and a means of payment exchange but do people want a relationship with a dot-com?

There are certain types of organizations with which people do want a relationship, according to a recent survey in the United Kingdom commissioned by CSC, a leading IT service provider. It asked 1,000 mobile phone-toting consumers what type of organization they might want to communicate with using the Internet and mobile phone technology. The top answer was the bank at 53 percent; second was the telephone or power company (36 percent).

Retail bank customers do value a relationship. Ironically, some of the most successful banks, from a customer-care point of view, have been the direct telephone banks. Direct banking cognoscenti wax lyrical about how wonderful and helpful the phone staff are.

Research conducted for software firm Amacis focused on how well the banks were doing in cultivating valuable relationships with their customers using the Internet. There were two aspects of the research. The first was a mystery prospecting exercise, which entailed Web forms and e-mail messages being sent to a variety of banks and building societies that have a Web presence and tracking how successful they were in dealing with the communication. The second was a survey conducted by research firms MORI (in the United Kingdom) and Roper Starch (in the United States) that polled the opinions of Internet banking strategists in a range of U.K. banks, building societies (a type of bank that provides primarily home mortgages), and Internet-only banks. Similar research was conducted with the leading U.S. banks as well, but the findings were not significantly different from those of the U.K. study.

In the mystery prospecting study, we sent a standardized request for information containing one simple and one more complex question. We assessed the banks' performances in dealing with the communication at a series of levels:

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1. Was an auto-reply generated?
2. Was a query or case number allocated?
3. Was a considered, helpful response ultimately generated?
4. Were all the issues addressed?
5. How timely was the response?

In many instances we received no response. Several of the United Kingdom's leading banks were in the "never responded" category. This is ironic. Despite the investment of millions of pounds in Internet infrastructure, they failed to respond to a customer prospect with a few simple queries. The banks that performed best were noted for customer service in other areas. The Internet-only banks did moderately well but not as well as regional or "boutique" banks. However, with a few notable exceptions, it appears that most banks and building societies are mediocre at best and nonresponsive at worst in communicating with customers via the Internet.

Findings from the MORI survey shine some light on why this might be the case. According to the respondents, only 8 percent of U.K. bank customers currently communicate with banks by e-mail. This may be an overstatement. The bank respondents predict that in three years' time, 22 percent of customers will communicate this way. That may be an understatement. Therefore, the business processes will soon have to be implemented to allow the flood of Internet communications.

And a flood it will be. Some two-thirds of our respondents feel that the Internet will be among the top three banking communications channels, alongside branch and telephone banking. In terms of the percentages of customers using these channels, respondents felt that while branch banking will experience a decline in the number of customers (down from 57 percent to 50 percent), Internet banking customers will account for 31 percent of the total, and the telephone banking customer base will remain static at around 38 percent. This implies that the bank model of the future will have fewer branches and new infrastructure to support additional electronic and mobile communication channels.

Multiple communication channels make the task of managing customer relationships more complex. On their own admission, many banks have no formal method of managing the process of customer communication via the Internet.

Some 54 percent of Internet strategists surveyed agreed or strongly agreed with the statement "integration of Internet banking with our existing systems

is the biggest challenge we face.” Some 58 percent also thought the main benefit of offering an Internet-based banking service was reduced cost. The implication is that Internet strategists see a huge short-term hurdle to be overcome, with considerable investment, before Internet banking starts to pay its way.

The reason for this perception seems to be that systems being put in place for Internet banking are not supporting a holistic view of the customer. Implementing Internet-only solutions is no way to facilitate a better relationship with customers; they will continue to use multiple communication channels. The objective must be to unite a multiplicity of channels.

Few retail banks appear to be committed to this approach, but some appear ready to take the plunge. HSBC Bank, with the experience of successful PC banking and direct banking under its belt, has made clear its intention to fully embrace the Internet as a core channel and put in place the necessary CRM applications. Others are making similar noises.

Some 42 percent of our respondents indicated that they were looking for a solution that would allow them to manage e-mail and mobile messaging and integrate this with the rest of their businesses. So we can hope that soon all banks will answer e-mails from customers or potential customers who may actually want a relationship based on good standards of communication. So it appears that in banking and presumably in just about every so-called customer-focused service category, customer e-mails are ignored.

The reason we have focused on e-mail is that it is indicative of a malaise. All too often CRM strategies are implemented at the level of attempting to put in place internal processes. For too many organizations CRM equates to sales force automation systems or call-center applications. E-mail is interesting, because it has become a very popular communications medium, one that can be embraced relatively easily. Yet with so much focus on CRM, in many organizations there just is not enough time available to communicate with customers.

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## *CRM Technology and CRM: The Need for a Communication-Centric Approach*

### **2.1 New ERP?**

In the preceding chapter, I argued that vendors (i.e., organizations that sell products or services to consumers) need to better understand consumer motivations for purchasing. They also need to ascertain the nature of the relationship they want or don't want with the vendor. I also proposed a definition that put communication at the center of relationship building. This chapter discusses in more detail the role that customer communications management should play in the CRM mix. It proposes moving customer response management from stage left to center stage.

I would propose that in many vendor organizations, communications management is not central to the CRM definition. Rather, in many organizations, particularly large ones, the implementation of CRM strategies starts and stops with the implementation of technology—often, technology that is focused excessively on internal processes rather than on customer communication and engagement. Increasingly, technology for managing customer engagement is piecemeal and tactical.

How can I make such a wild assertion? Well, a look at what organizations have been doing during the past decade or so will help make the point. As is argued in the next chapter, market analysts have taken the view that there are rich pickings to be made from CRM if it is essentially touted as being an end-to-end enterprisewide technology infrastructure. It picks up where enterprise resource planning (ERP) left off. In many organizations it is the new ERP. This means that its tendrils stretch from supply chain management to



customer-facing collaborative trading portals (or whatever the latest, hippest, term is from Meta Group).

In fact, the following definition of CRM from Meta Group makes the point well:

CRM (customer relationship management)—the automation of horizontally integrated business processes involving “front-office” customer touch-points—sales (contact management, product configuration), marketing (campaign management, marketing), and customer service (call-center, field service)—via multiple, interconnected delivery channels (telephony, e-mail, Web, direct interaction). The CRM application architecture must combine both operational (transaction-oriented business process management) technologies as well as analytical (data mart-centered business performance management) technologies.

Such tall ambitions can be met only with a serious set of technologies. For many CIOs, the simplest way forward when facing a requirement to implement an enterprise infrastructure is to install a suite of software to do everything. This is one of the key reasons for the massive success of Siebel Systems. In the same manner that large global organizations implemented SAP’s ERP solution, organizations started implementing Siebel for CRM. Where SAP focused on internal processes and workings—getting manufacturing and inventory right—Siebel focused on the customer, and that had to be good. Focusing on the customer is always good and will always get Board sign-off. Hence, Siebel went meteoric.

The company took the pulse of this frenzy and made the panic ever greater through very clever advertising that focused on the fact that companies that implemented Siebel software did better in terms of customer satisfaction ratings. It also hinted heavily that such companies did better in terms of stock growth and producing overall shareholder value. (Chapter 7 discusses the efficacy of focusing merely on customer satisfaction metrics as a measure of CRM success.)

However, more recently, reports have been hitting the major business titles that companies that have been spending millions on Siebel and other CRM suites have not seen the returns that they were expecting. Some major projects are being aborted, and many companies feel that they could perhaps see greater customer satisfaction gains by implementing tactical CRM initiatives that result in tangible improvements.

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It all sounds very familiar. Some five years ago I recall running CIO focus groups where the most common gripe was the cost of implementing SAP ERP and the difficulty of showing a tangible return on investment dollars.

There is a natural impetus within us all, particularly if we manage large dollars, to be seen to produce a large rabbit from our hat marked “budget.” Should the necessary returns not materialize, it is very tempting to state that the project is not yet finished and requires several connected modules to make the entire system watertight and end-to-end. Meanwhile, an account manager from a software firm or systems integrator is probably feeding us with PowerPoint presentations that will make the whole thing easier to sell to the Board.

Requests from business units to do something to help them manage the vast volume increase in customer support requests pass unheard—that’s not a designated or funded module this year. Anyway, let’s face it, a customer support management system is hardly as important as getting the call-center application in and working and getting the salespeople out and selling with all the tools they need.

Large system implementations can result in CIOs going slightly crazy. They start to become corporate people in the weirdest way. They can talk system talk in ways that no one has ever heard before. They become high on data sheet speak. And they keep getting applauded by their pet market analyst for making the right decisions and for sticking on in there, despite all the flak they are getting from the front line.

Not all take this approach, and I am exaggerating to make a point. However, the point is worth making that many, many CRM systems have been implemented without reference to the optimum requirements of the organization. Worse, they have been implemented without due regard to two fundamental customer performance metrics: satisfaction and brand engagement (these concepts are discussed in much more detail in Chapter 6 and the chapters following).

CRM is not about technology; it’s about developing appropriate relationships with customers through appropriate communications to create long-term profit. Therefore, the end game is profit, not systems. And long-term profit is unarguably about maximizing long-term customer value through appropriate and measured customer relationship management processes.

## 2.2 CRM: Call center, right?

Of course, not all CRM systems are implemented for the sake of technology rather than for the sake of customers. And I am not suggesting that all companies that have implemented Siebel solutions have not seen positive gain results. I'm sure that many have, but I believe there is a better way. Let's focus on another issue in relation to CRM technology. For many organizations, I would assert, CRM is about implementing call-center applications. Even Siebel would object to that one (there's more to life than the call-center—lots of other modules to implement!). However, for many, CRM starts and stops at the call-center.

Why not? The call-center is the hub of customer-facing operations for many companies. The call-center is where the customer is engaged.

But let's take a look at the call-center and consider a few things. First, the call-center is typically located many miles from where the customer is located. There is little possibility that the call-center operative will have any day-to-day relationship with the customer. Even if the customer were to call daily, it's highly unlikely that the customer would speak to the same call-center agent. Even if, by some strange set of bizarre circumstances, the customer were to get to know a call-center agent through regular contact, the likelihood is that the agent would leave for another job at that point. Call-center staff turnover is high. Pay is typically very low—often state minimum wage. Call-centers are viewed as stopgaps by employees. Few see a career in a call-center.

In all too many organizations, the call-center is exactly just that—a center into which, or out of which, people call. Calling, answering, and logging are the activities that are performed. And whatever a smart systems salesperson says, a call-center is a call-center. Call-centers are defined as good or bad simply by the degree of interest an agent shows when answering the phone. And the degree of interest is entirely dependent on the quality of people employed, the degree of training they receive, and how much they are paid and motivated. Motivated and fairly treated people develop good relationships with customers. Poorly paid and unmotivated call-center operatives incense customers, and cause them to go to the competition.

This lack of motivation is a major issue. According to survey research by Response Design Corporation, based on information gleaned from 140 U.S. call-centers (with an average of 154 call-center operative seats per center) the annual churn, or leaving rate, of call-center operatives is 26 percent per annum. The average cost per hire is over \$4,000, and training costs nearly

\$5,000 on top of that. So, for a call-center with 100 operatives, the cost just to maintain the operative pool will be close to \$250,000. Further, maintaining quality and keeping customers satisfied, with this degree of churn, represents a great challenge. Consequently, there is an even higher “opportunity cost” of constantly losing operatives and hiring new, equally disenchanted, ones.

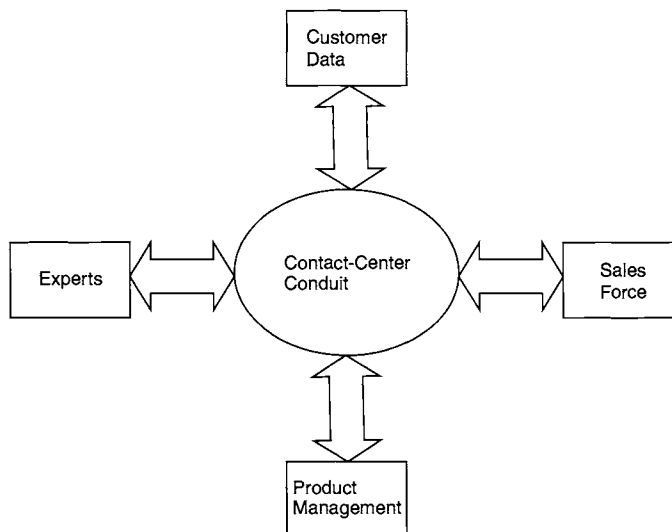
The call-center and, increasingly, the contact center can be judged simply by how effectively they communicate with customers. Communication is not about numbers of transactions; in the context of CRM, it’s about quality of transactions and resulting customer satisfaction.

Quality of transactions depends in large part on quality and motivation of staff. In a call-center environment, very simple, human-focused action can be taken to keep call-center operatives focused, engaged, and loyal. After all, maintaining the pool of contact center staff is what’s important. Therefore, this affords the opportunity for flexible working hours, family friendly policies, and, most important, a career path.

## 2.3 Introducing the contact-center conduit

However, staff training and motivation are only part of what is required. The most advanced and switched-on customer-oriented organizations see the contact center as a conduit—a highway through which customer relationship and profit opportunities flow. After all, if CRM is about communications, then what better focus should there be, in terms of process optimization, than the contact center.

Figure 2.1  
*Contact center at  
the CRM center.*



If the contact center is a conduit, then it needs to have special relationships with key parts of the organization. In Figure 2.1 we see the contact center located at the center of information flows from four key constituencies. I'm not suggesting that these are the only four parts of the business with which the contact center has a relationship—there will be many more. However, they are the key relationships that are often overlooked and are critical in terms of the contact center's having a key role within the organization.

### **2.3.1 The contact center and product marketing**

The relationship between product marketing and the contact center is one that is invariably overlooked. Most product marketing staff in many companies have never visited the contact center—never mind having a synergistic relationship with it. Or rather with them, the contact-center staff. These people have day-to-day customer contact and know at first hand the deficiencies of the product portfolio, errors in technical documentation, or product features that need to be amended. In few companies are there formal methods for the product marketing staff to update contact-center staff on new product releases or to elicit feature requests or product changes from such staff.

### **2.3.2 External experts**

Contact center staff are often the last to receive critical information about the company. Even if this information is provided, however, there will often be instances where outside experts (i.e., outside the contact center) need to be involved to answer a customer query. However, mechanisms for eliciting such help from external experts are often absent. Often, call-center staff are not even enabled with e-mail so that they can poll other employees. It is remarkable that the front-line staff in an organization—people who deal with customer queries constantly—typically have no means of directly engaging with fellow employees who can address customer issues.

### **2.3.3 Customer data**

It's a fact. Often, the call-center is an island, cut off from all key sources of customer information. As a result, contact-center staff cannot retrieve the key information required to deal with a customer query.

Many organizations establish standardized middleware platforms for the exchange of corporate information, but the middleware mysteriously stops at the door to the contact center. After all, why give some student who's

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employed only for a month or two access to key operational and customer data systems?

### **2.3.4 Sales force**

In many organizations the call-center coexists with a sales force. High-spending customers may have their own account managers, or sales staff may be the means by which demand is generated and orders placed through the call-center. However, often the contact center is entirely separated from the sales process. In the same way that product managers ignore front-line staff, contact-center operatives may have no method of passing along customer queries to account managers except through a supervisor who may have no formal method of communicating with sales staff.

I have been using the term “contact center” interchangeably with “call center” throughout the course of this chapter so far. However, it is also a fact of life that in many, many organizations the call center is not in fact a contact center at all. Rather, it is a segregated and demarcated call center—critical to the business but cut off from it. Moreover, where it attempts to manage new communications channels it does so in a piecemeal way. If call-center applications are isolated from other key operational systems, it can be pretty much guaranteed that operatives detailed to look after e-mails or chat sessions will be under-resourced to an even greater degree.

I present a bleak picture here. But the fact remains: If CRM is about customer communications, in very many organizations there has been a scant amount of attention given to the critical processes for dealing with customer-originated queries in an appropriate and integrated manner.

## **2.4 Connected contact center?**

Later in the book I discuss the importance of integration—and the potential that Web services, portal technology, and middleware present to organizations that need to get disparate data to key CRM knowledge workers. However, in the context of this discussion the key point is that CRM technology has paid insufficient attention to facilitating communication between customers and vendors because it has paid only lip service to the sharing of information within the organization. Why should this be?

Some of the reasons I have alluded to—the transitory nature of call-center staff and their relatively low status—account for this. However, there are other reasons. The call-center manager is one.

Call-center managers are isolated from the organization as a whole to an extraordinary degree. Even the job title implies the problem. Here we have a manager whose sole responsibility is the management of a call-center. Not customer communications processes, just the call center. Rostering, hiring, firing, and systems are the call-center manager's responsibilities, and, invariably, these people know systems pretty well—ACD systems, switches, and CTI systems. The call-center manager is part tech wizard, part resource manager, isolated from the rest of the management team and isolated from decision making related to customer care.

Yes, this is grossly unfair too. But in all too many organizations this is exactly the case; that's why when one calls a call-center one often gets a disinterested, demoralized, and underpaid operative going through the motions of customer care, starting and ending the conversation with insincere, CTI-generated platitudes.

Ironically, where call-centers can be extremely effective is when there is zero requirement for human involvement. I maintain that in the context of optimizing customer relationships, ACD and human interaction have critical roles to play, but in many organizations they are playing inappropriate roles.

People can add value to a customer relationship if they are enabled to add value to it in some way. ACDs can add value to a customer relationship if they facilitate customer transactions. This fundamental observation points to the way the best contact centers (rather than call-centers) will be defined in the future.

The heart of the matter lies in routing technologies. ACD systems are often used to route customer calls on the basis of key-tone responses to a series of menus that lead to the appropriate self-help function or call-center representative, depending on the customer's need. If calls are being routed to specific groups of call-center representatives, the menus will be defined to route calls to call-center staff with appropriate skills. For example, the first ACD menu might give a caller four options relating to the nature of the department required: sales, customer support, administration, or "other." Routing is then likely to continue until the caller arrives at a call-center agent who has the necessary skills to deal with the query.

A common customer complaint is that such menu systems can be too defined—too stupid. Menu options may not relate to the customer query, which makes the process of calling very frustrating indeed. However, this is simply a function of poor setup and management—the organization simply failing to anticipate the nature of customer queries (or using the ACD as a bar-

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rier to contact with the actual call-center agent). The fact is that well-managed ACD menus can provide an effective method of routing customer calls.

ACDs can free the agent from having to provide perfunctory and simple responses to customer queries. A simple example is mailing address. Mailing address information can easily be provided automatically or semi-automatically. Similarly, customer account-related information and payments can all be handled by an ACD agent rather than a human agent. The human agent's role should be to please; the ACD is there to perform.

The focus on call-center resources is, frankly, just not appropriate any more. While call-center software vendors may find better ways for routing calls to agents, prioritizing calls, or dealing with customer transactions, the fact is that the world is changing and, increasingly, customers want to do business using asynchronous communications. And the most important form of asynchronous communication is e-mail.

## **2.5 Asynchronous versus synchronous communications**

The reliance by business on e-mail was demonstrated recently by the paralysis of a large number of worldwide sites through the temporary suspension of e-mail servers during the "I Love You" virus crisis. Business just can't function efficiently without this means of communication. And with the proliferation of free e-mail providers among an increasingly PC-literate populace, the volumes of consumer-generated e-mail are now escalating dramatically. For example, while only around 40 percent of the U.S. public has regular access to e-mail services, a recent poll by Harris<sup>1</sup> found that 25 percent of the population uses e-mail on a daily basis.

A survey of its membership by the Society of Consumer Affairs Professionals in Business (SOCAP) showed that for those 57 percent of member companies that felt they actively encouraged consumer contact through e-mail, the average weekly increase in e-mail was 148 percent. For the 36 percent that provide for e-mail but don't encourage it, the figure was an increase of 61 percent.

The indications are that consumers are both ready and willing to use e-mail for consumer-to-business communication, whether the interaction is

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1. Referenced in "You've Got Mail: Managing Customer E-mail," Stephen R. Nelson, December 1999, InfoWorld Media Group.



with their bank, their utility, their prospective airline partner, or with any other type of company.

First, we'll discuss the distinction between "synchronous" and "asynchronous" communications. By synchronous we mean those transactions carried out in real time, as opposed to asynchronous communications (e.g., e-mail) where a message may be sent but the response is typically received at a later and often indeterminate time. How do these forms differ from the customer's perspective?

A call to a call-center is an example of synchronous communication. Customers are willing to invest their own time waiting in queue for a call-center agent on the basis that their request will be handled in real time once connected.

In contrast, asynchronous communication (such as e-mail, letter, or fax) is ideal for requests of lesser urgency (although not *no* urgency), where the upfront investment in developing the request can be minimal, but the expectation of the time of response is nonimmediate (the period extends to days for a postal item). What is the expected response time for an e-mail? This question was posed as a part of the SOCAP study: 90 percent of those responding expected a "well reasoned response" within 24 hours, and never more than 48 hours after their initial request. As was indicated in Chapter 1 in the banking case study, this expectation is often not fulfilled.

Another factor to be considered is the quality of the response in each case. Synchronous communication provides the ability to iterate toward the correct definition of the customer problem and then toward the ultimate solution. For asynchronous communication, unless the understanding of the problem and the associated answer is right the first time, the customer's satisfaction rating will likely take a significant plunge when he or she realizes that at least one more cycle is required. This is particularly so if the enterprise has failed to deliver on the 24-hour response test.

Nearly every consumer has been touched by the reality of poor e-mail response. My most recent experience was an e-mail interaction with one of the U.K.'s leading insurance companies. It involved a request for quote information, which was a direct sales opportunity for the company. The e-mail (in free-form text, as an option off the "quotation" Web page) appeared to fall into a corporate black hole. The response, when it emerged ten days later, consisted of the one-line answer "At this time we are unable to provide you with a quote since the car is imported"—a response that was not only too late, but also 100 percent inaccurate!

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The situation is getting progressively worse. Forrester has forecast that e-mail contact will explode by 2001, accounting for 10 percent of all global contact. Another analyst firm, Datamonitor, has stated that by 2003, e-mail contact rates will more than quadruple to constitute 20 percent of all contacts. Gartner, in its December 1999 report,<sup>2</sup> is even more aggressive, stating as a strategic planning assumption that “By year-end 2001, enterprises will receive more than 25 percent of inquiries via the Web and other Internet-based connections.”

A range of e-mail management solutions are available on the market today. Many IT or customer service managers are selecting e-mail management products to fix the current “point of pain” with respect to e-mail handling. But this is an IT decision that often calls for a strategic rather than a tactical decision. This is partly because of the nature of the scalability and security considerations required for a large enterprise managing exponentially growing volumes of e-mails; but it is primarily because e-mail is just one of the channels that can be utilized in a generic customer relationship management strategy. This matter is revisited in a subsequent chapter.

While e-mail may be the most pervasive form of asynchronous messaging today, other forms may soon supplant it—notably, short message service (SMS) and wireless access protocol (WAP) communications on the back of a generic industry adoption of what’s been termed “mobile commerce.” A recent Ovum<sup>3</sup> report predicted that by 2006 there will be 1.5 billion mobile subscribers around the world, of which 684 million will use services based on WAP and/or other emerging technologies.

Although the interfaces to these services through cellular devices are not typically suited to the input of text, advances in embedded speech technologies—from vendors such as IBM with ViaVoice and Philips with FreeSpeech—will ultimately deliver high-quality dictation of messages that can be directed at an enterprise over the cellular network. Thus, banking customers could send an SMS message to their banks such as “Please send me a bank statement for account number 123456,” analogous to a customer account query to a call-center that could be handled by the ACD.

This introduces a generic problem that most enterprises are starting to have with the proliferation of channels through which their customers want to

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2. “E-mail Response Management System Market Analysis,” Gartner Group.

3. “WAP Market Strategies,” Ovum, 2000.

be able to transact business. In the foregoing example, the same request could have been sent into the enterprise:

- By a Web application
- By free-form e-mail
- By completion of a Webform
- By telephony, through a live call-center agent
- By Internet telephony (VoIP), through a live call-center agent
- By “text-chat” with a live call-center agent
- By telephony, through the bank’s interactive voice response (IVR) system
- By Internet telephony, to an H.232-enabled IVR system
- By fax
- By a WAP phone application
- By an ATM application
- By a video kiosk application in a shopping center or airport
- By the customer entering a branch office

In addition, while not relevant to the example of the statement request, the embedding of pervasive computing devices into such consumer goods as white goods and motor vehicles will see such devices starting to proactively issue transactions to enterprises on their owner’s behalf.

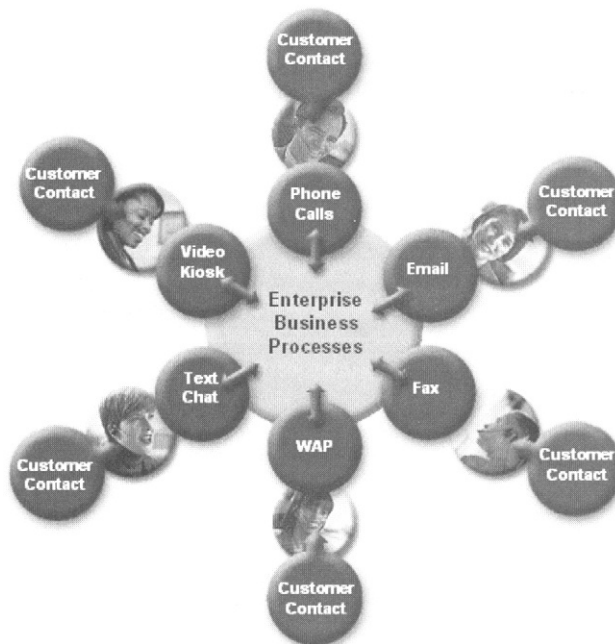
As these channels have emerged progressively over time, enterprises have typically managed them in a piecemeal way, simply by adding resources dedicated to managing that particular channel (see Figure 2.2).

While this has the benefit of focus, it has the disadvantage of creating islands of resource, which cannot readily blend their capacity or skills with other channel groups. These channel groups may interface to the same enterprise business processes, but typically they’ve been hardwired into the underlying systems and customer databases in different ways. This can create major problems in developing a customer relationship management strategy.

The customer of a vendor expects to receive good, consistent, and personalized service through whichever channel the customer wants (or is permitted) to use, at whatever time is convenient. This customer interaction management is part of a broader CRM strategy. CRM is the transition from a transaction-based business model to a relationship-based model, concentrated on the acquisition, development, and retention of profitable customer

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Figure 2.2  
*Proliferation of  
CRM channels.*



relationships, with communication at the very center. Therefore, customer interaction has to play a fundamental role in CRM definition. As the channels encompass technologies in the areas of call-center, voice response, e-mail, WAP, SMS, Web, and others, as well as integration to the enterprise legacy applications and business processes, these architectures are nontrivial. They certainly do not start and stop at a telephone response center, and they require more strategic planning for a multichannel-enabled contact center.

All too often enterprises are pushed—by necessity—into procuring tactical point solutions (perhaps part of a much wider so-called enterprise CRM solution), which ease pain for a particular channel while referring—or in many cases regressing—the strategic CRM implementation. Many of these point solutions maintain their own customer data model, local to the particular channels served. In addition, many that have agent involvement require some form of skills-based routing of requests. When multiple-point solutions are implemented in a customer contact environment, this typically leads to:

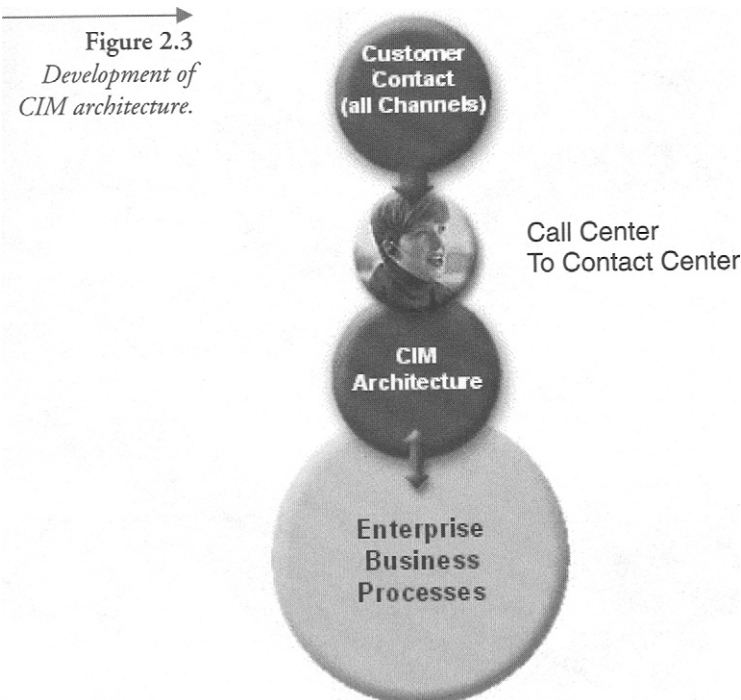
1. A divergence in the accuracy of real-time customer or enterprise data held by the multiple channel systems. This leads to a different view of reality depending on the channel through which the customer chooses to access the business. Examples include differing

account balances, differing pricing information, or the perceived invisibility of recent transactions. Such experiences often lead to a lack of confidence in the business by the consumer, and puts customer retention at risk.

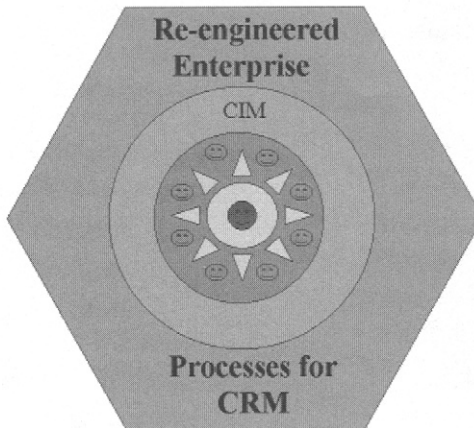
2. A noncoherent interface for the contact center with multiple systems for the agents to log on to, multiple skills tables for the supervisors to maintain, and a lack of flexibility in agent blending between different channels.
3. Inefficient use of the skilled personnel resources across the “islands” of solutions created.
4. A nonholistic approach to managing the customer relationships.

Many enterprises are trying to evaluate how to progress from the situation shown in Figure 2.2 toward the ideal of the flexible environment shown in Figure 2.3, where a common team of agents can potentially be blended into handling all the customer requests from whichever channel they choose to use.

This can be seen as the first step toward a full CRM management environment (Figure 2.4), where rather than having the contact center “bolted onto”



**Figure 2.4**  
*Customer  
relationship at  
the center of  
the business.*



the existing business processes, the business and supporting HR processes are reengineered around the point of customer interaction.

Gartner points out that no vendor has a fully comprehensive offering for what it terms an “e-service suite.” Even if one did exist, many large organizations have already invested in diverse CRM point solutions that cannot be just discarded. But for enterprises looking for this more coherent way of managing their customer interaction channels, the call-center is the obvious base from which to work. Even so, there are often some rather rigid paradigms that need to be overcome from telephony-oriented people—for example, that the telephone ACD must “own” the agents and their skills.

Related arguments against having call-center agents handle e-mail include “But many of my call-center agents can’t spell.” Quite correct! So they shouldn’t all answer e-mail! Dr. Kathryn Jackson in an article<sup>4</sup> looking at the process and motivational aspects of the problem, quotes a consortium study<sup>5</sup> in which only 20 percent of multichannel call-center respondents had cross-trained all agents to handle phone calls, e-mail messages, and text chat. If each agent’s spelling ability is graded between 0 and 10 in a flexible, software-based, skills-based routing component, then the system can route e-mails to those in the contact center with the best overall skills to answer the request—and that takes into account their spelling or motivational skills for the specific task. If an agent has a spelling level of 2/10 but is the only one who

4. “Handling E-mail in a Customer-Centric Organization,” The CommWeb Network.

5. American Productivity & Quality Center (APQC) and Response Design Corporation (RDC), 1999.

can speak Croatian, the supervisor might still want to route the e-mail to that agent!<sup>6</sup>

The type of architecture to support this capability is starting to emerge in the marketplace, although, as Gartner pointed out, there is no clear leader as yet. Vendors have a variety of names and definitions for the different components, but it can be broadly described as containing a number of specific components, as follows:

- A universal connection management (UCM) component, which understands the skills and resource requirements of incoming channel requests and matches them to its knowledge of available resources (agents, IVR ports, etc.) in the enterprise.
- A case management component, which can intelligently collate historical information and develop cross-sell or up-sell opportunities for the customer interaction.
- A personalization engine, which tailors the channel experience according to the likes and dislikes of the customer or customer set.
- A transaction engine providing linkage to the legacy transactions and data, often linked to a business workflow system of some kind.
- A set of collaboration functions or processes that allows contact-center staff to engage with external communities within the organization.

A vital element lies in the associated management capabilities—monitoring, control, and statistics—to assess the ongoing state of the customer interaction metrics and allow for service levels to be set and managed on a per-channel, per-customer-set basis.

A key enabler in this picture is the use of multitier messaging technologies (e.g., IBM's MQSeries or BEA's Weblogic) to provide one, and only one, customer data model to be shared by the front-end channels. This data model may exist within a traditional database, such as DB2 or Oracle, or it may be constructed logically within the messaging middleware layer from a range of customer data sources. (IBM's MQSeries Integrator is an example of this approach.)

This chapter has discussed some of the technical and business factors associated with integrating asynchronous messaging into a call-center environment. While a wide range of tactical point solutions are available and no

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6. It's also worth noting that the automatic intelligent creation of draft e-mail responses for agents by the latest mail manager applications negates the need for agents to do much creative writing anyway.

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clear strategic leader has yet to emerge, any implementation in this area needs to consider the wider strategic implications of convergence toward a customer relationship management strategy (and the associated customer interaction management architecture) for the enterprise. This chapter also makes clear that there is a need to see beyond “big bang” CRM and to focus on customer interaction, effective communication, and engagement.



## *The Analyst's View of CRM*

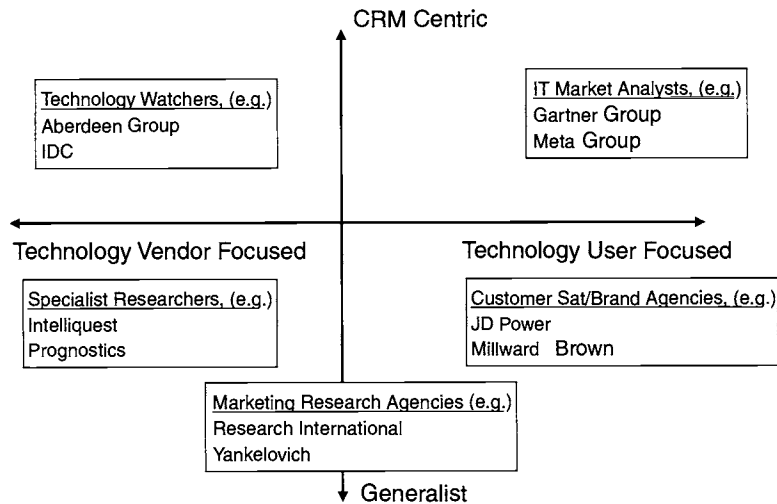
### **3.1 Why do analysts matter?**

There are firms that both reflect and influence the way that companies and individuals think about the use of technology. They provide research services, advise companies regarding IT strategy, help make vendor selections, and influence the direction of IT submarkets. They are important for a number of reasons. They can, through their influence, define new markets, which results in certain vendors dominating those markets. And their influence in CRM markets is acutely felt. As we discuss in this chapter, CRM, for many of the analysts, is the new enterprise resource planning (ERP). CRM can, logically, stretch from all customer touch-points right back to supply chain systems. Its tendrils can extend into every corner of the enterprise; as a result, there are likely to be rich pickings for the analysts.

However, with regard to CRM, the role of analysts is even more complicated. To some extent they defined the category because they needed it. In the case of marketing research firms they provide CRM services themselves—through customer satisfaction research and, increasingly, outsourced CRM services. The people employed by market researchers, technology analysts, stock analysts, and management consultants move from firm to firm and refine their knowledge of the category (or confirm their prejudices). Analysts like CRM as they like no other type of software.

When we take a closer look at these key influencers we see that there are (for sake of argument) six types of companies that can and do exert this influence: IT analysis and research companies, management consulting companies, research consulting companies (including marketing research), industry IT analyst companies, stock analysts, and academic institutions. Figure 3.1 shows how they are positioned.

**Figure 3.1**  
*The CRM analyst community.*



This chapter briefly discusses the role that these various analysts perform and then examines a few CRM areas on which the analyst community has recently focused. It is not intended to be an exhaustive critique of how analysts define or frame CRM. Rather it takes the view that analysts have a positive role to play in the CRM debate. Sometimes they get on hobbyhorses and refuse to get off. Other times they get it very nearly right.

## 3.2 Give me your watch, I'll tell you the time

The IT analyst and research companies are the ones that we traditionally think of as market analysts. Major firms within this area include well-known names such as Gartner, Meta Group, and Aberdeen Group. Within these organizations, researchers investigate and analysts pontificate about the major categories of software (CRM, ERP, etc.) and interpret the impact the technology can have on their client companies' operations.

Analyst companies gather their knowledge about software in a number of ways. They hire experienced practitioners from vendors and end users (although some of the newer "Internet-savvy" analysts maybe could have chosen a little more wisely). Vendors give analysts frequent briefings (which the analysts are often reluctant to agree to unless the vendor has signed up for the services of the analyst firm in advance) to ensure that analysts understand current offerings. Market analysts frequently interview companies about their experiences and desires. Many analyst firms also conduct primary research through separate divisions of their companies.

Typically, these analyst firms offer a combination of advisory services to vendors and end-user companies, a tricky situation to manage. In addition, they play an instrumental role in vendor selection by citing individual companies in “long-lists” of vendors that are suitable for a particular company’s implementation project.

Management consulting companies offer a number of the same services for their clients. Not only are they often contracted for vendor selection, but also many of these companies are pioneers in their practice areas. Accenture, for example, led the way in “best-practice” consulting in the 1990s. Also, many of these consultancies have primary research abilities, whether in-house or outsourced, through research consulting companies. The two primary points of delineation between these companies and their analyst brethren are that most management consulting companies also implement the technologies and the bulk of management consulting revenue is derived from project implementation. Because of these two facts, the general perception is that vendor analysis made by these companies is often biased toward the expertise that they have in house.

On the other hand, we should not underestimate the amount of influence that these “analysts” have had on the development of the CRM market. Many had developed ERP practices in the mid-1990s and had tremendous services capabilities available for integration work. In 1998, with Y2000 just around the corner, it became clear that ERP’s days as a growing IT sector were coming to an abrupt halt. In order to stay profitable, these companies needed the ability to focus on other institutional software implementations. With CRM emerging as this new sector, these management consulting companies latched onto the largest, suite-based companies as viable replacements to their SAP, Baan, JD Edwards, and Oracle Manufacturing practices. ERP was suite-centric, why not CRM?

Research consulting companies can, broadly speaking, be divided into two subsegments: market trend analysis companies such as Media Metrix or Dataquest, and traditional marketing research companies, such as Gallup, NFO, and Harris Black. The former provide market information about companies’ and individuals’ purchasing behavior and performance characteristics and provide insight into future trends. It should be noted that many of these firms have merged in recent years with mainstream analyst companies (e.g., Dataquest with Gartner Group and Media Metrix with Jupiter Communications). Typically the data services are still offered outside of the mainstream analyst services.

Similarly, the largest marketing research companies, such as Gallup, Roper Starch, NFO, and Harris Black, frequently conduct research on features and functionality for Web sites, products, and various other IT-related issues. Some even have practices set up specifically to service the needs of technology vendors. But invariably the services provided focus on providing custom research data to vendors about their target audiences or their customers. CRM is a term that is used widely in such research agencies. However, it is used in the context of the research services provided. It seems highly ironic that market research agencies provide, often, the only real method by which IT vendors can measure their customer satisfaction and brand adherence; some of the techniques that can be used are outlined in Chapter 10. Such agencies obtain good revenues from software vendors that sell CRM solutions, keen to prove that their customers' customers have higher levels of satisfaction than other companies. Siebel has been using this marketing device for some time. So, good old-fashioned customer satisfaction research is needed to justify all that software investment!

In some respects it can be argued that marketing research planted some of the earliest seeds for the CRM movement. Customer satisfaction studies have been conducted by marketing researchers since the late 1970s—indeed, probably long before (except they weren't called customer satisfaction surveys). Built, once again, on the "customer is always right" premise, they represent the first efforts to systematically measure customer experience; consequently, they began uncovering the deficiencies of some of the largest corporations. Today, these studies have grown in use to the point that they are the top-selling category of marketing research that marketing researchers sell. And many research firms have developed analytical models (often built on CRM analytics) that allow client companies to, in effect, outsource large chunks of their analytical CRM processes.

In recent years, it has become apparent that certain industries (e.g., banking or oil and gas) are so specialized that research cannot be conducted without a thorough understanding of industry-specific trends, regulations, and requirements. To meet the needs of these specific groups, two major trends have emerged. Many of the mainstream IT analyst firms, such as Gartner, have added vertically specific practices (e.g., financial services) in addition to their horizontal practices (e.g., ERP or CRM). In addition, small boutique IT analyst firms have emerged that focus on specific target verticals. Continuing with financial services as an example, Celent, Tower Group, and Meridien Research all offer targeted research and advisory services directed solely at this market.

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The last type of “analyst” is both the most common and the most often forgotten in terms of its importance to IT market development. Through predictions in both financial markets and company stock ratings, stock analysts influence a great deal of the public’s psyche with respect to IT sectors. They are not only very public influencers, but most analysts are also very well informed about the sectors and companies that they cover, understanding not only the underlying technology but also the companies from a cost accounting standpoint.

It is important to note that all of the major groups of influencers mentioned have been influenced by and have their beginnings in academia. In fact, Materials Resource Planning (MRP), which was invented within the halls of academia, was the first enterprise-class software package to be implemented within major corporations. It spawned the need not only for mainstream analysts, but for management consultants as well. Similarly, marketing research continued to draw from the academic field. Most if not all of the techniques used in this field were first created in marketing departments throughout the world’s major universities. So, academics too have influenced the development of CRM.

In fact, CRM had a varied beginning. While Siebel and Brock Control Systems would each have the world believe that they invented the category, the concept of “putting the customer first” predates the advent of the software industry. The roots of CRM as a term and as an application category are varied.

### **3.3 CRM roots**

Have you ever wondered where the term “CRM” actually came from? After all, on one level, the idea that one can manage a relationship is a bit obtuse. When I’m in serious trouble with my wife, I bring her flowers. If I were to describe this as relationship management, I might find myself on the way to the florist once again.

Regardless of one’s personal feelings about the term, there must be an industry analyst somewhere who is very proud of coining the phrase—or is there? In fact, the term itself has a somewhat murky history. According to the Aberdeen Group, Hugh Bishop “created the concept of CRM, which describes a new class of software designed to enhance the competitive position of forward-looking organizations by forging more effective customer-supplier

relationships.”<sup>1</sup> His mother must be proud. So, indeed must the mothers of Gartner analysts, who are widely attributed with the creation of the term;<sup>2</sup> Dick Lee, who claims that his use of the term “relationship management” in his book *The Sales Automation Survival Guide* won a contest at a DCI trade show in 1988;<sup>3</sup> and the people at Innovative Systems, who have ostensibly been using the term for ten years.<sup>4</sup> While many experts lay claim to the phrase, one of the earliest and most credible references to it is attributed to Professor Jagdish N. Sheth of Emory University, who began using the phrase in the early 1980s.<sup>5</sup> Why is there so much ambiguity about the source of the term? Fred Berkamp of Intelliant Corporation states it best:

While the CRM term is fairly recent, it grew from a combination of terms help desk, customer support, ERP, data mining. It evolved because none of the previous terms could cover the topic well enough and because some of the terms (ERP) have grown to be met with a great deal of distaste in the mouths of the business world. I have read and heard conflicting stories concerning who was the first person to wrap the phrase customer relationship management into its present form and make it sound appealing. I am not sure that we may ever know who was first. I can say that the term has been derived from a number of trial and error approaches to being more receptive to the customer’s needs. We haven’t completely finished the task of building the perfect answer for the world, but we are working on it.<sup>6</sup>

Regardless of the origins of the term itself, generally people accept the following timeline in terms of the development of CRM as a software category (although CRM is, as noted in Chapter 1, not solely about technology at all):

- Late 1970s: Marketing research firms begin to study customer satisfaction as a subdiscipline.
- Mid-1980s: Materials resource planning (MRP) is first introduced. MRP allows companies to make more accurate purchasing forecasts by

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1. [www.aberdeen.com/ab\\_company/bios/bishop.htm](http://www.aberdeen.com/ab_company/bios/bishop.htm).

2. Bob Thompson, CRMGuru.com.

3. Dick Lee, High Yield Marketing.

4. Jim Willson, MarkIT Information Services, Ltd.

5. Chris Davies, Chairman, Relationship Marketing International.

6. Fred Oberkamp, Intelliant Corporation, posting on CRM Guru, [www.crmguru.com](http://www.crmguru.com).

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projecting consumer demand to the amount of materials that are required to meet it. Companies also begin to make widely used customer databases, replacing paper with easily accessible data.

- 1988: Telesales and telemarketing technology are first introduced to the call-center, making it far easier to conduct consumer satisfaction studies.
- 1990: Customer service and support applications are introduced into the call-center.
- 1992: SAP releases R/3, which integrates a traditional MRP framework with accounting modules. MRP thus evolves into enterprise resource planning (ERP). One of the primary benefits for ERP implementers is a more centralized control over data. Disparate databases are replaced by fewer, master databases. One of the primary centralized databases is the master customer database. Large ERP practices develop in most management consulting firms. Existing analyst firms add ERP practices and new analyst firms are founded (e.g., Benchmarking Partners and Advanced Manufacturing Research, now AMR Research) that deal exclusively with ERP and supply chain issues.
- 1993: Siebel Systems is founded and releases a sales force automation package to compete with the market leader, Brock Control Systems.
- 1994: The World Wide Web is introduced, effectively changing the rules for customer interaction.
- 1996: Electronic commerce is first introduced. Most of the “commerce” comes from downloads of software.
- 1998: The term “CRM” comes into popular use<sup>7</sup> as analyst firms and management consultants begin searching for the next ERP.
- 1999: The last of the ERP implementations designed to fix the Year 2000 bug are implemented, causing the market for ERP applications to slow.
- 2000: CRM is seen as the next growth area as an application category.

A quick perusal of this history reveals several important themes that one must keep in mind as we look at analysts’ views of CRM:

1. Much of today’s CRM experience came from outside of the analyst community.

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7. KCG MarketView: CRM Redefined beyond the Front Office and out to the customer, Page 17.

2. The progression from MRP to ERP was a landmark shift that revolutionized the way the analyst industry worked. In addition, the management consulting industry reaped significant rewards from the integration work. This expertise colors the outlook of many analysts as they approach the CRM application area.
3. CRM as an application area comes from far more diverse beginnings than ERP and involves more areas of expertise.
4. Today's CRM suite-based solutions each began as a best-of-breed solution within a particular application and expanded into new areas.

### **3.4 The analyst's viewpoint on CRM**

As mentioned previously, analysts come from a wide variety of backgrounds. When combined with their somewhat opinionated nature, this makes for a number of different viewpoints on CRM. However, there is agreement on definitions and descriptions of CRM as it relates to technology.

Perhaps the most overriding issue in CRM today is the debate over whether a suite-based approach or a best-of-breed approach is preferable in CRM. In a suite-based approach, a single vendor's system is installed to solve the total of the implementing company's CRM-specific business requirements. By contrast, in a best-of-breed approach, multiple applications from multiple vendors are used to better fit the business requirements. Such applications could include call-center applications, sales force automation, and analytics. As the discussion of this issue continues, it is important once again to recognize the influence that the ERP movement has had on the analyst community.

The underlying assumption of the ERP revolution was that having a single, fully integrated system that could manage most, if not all, of a company's accounting and purchasing processes would result in net cost savings as a result of reduced inventory levels, lower overhead costs, and faster cycle times. To a certain extent the approach worked. Despite astronomical costs for implementation, many large corporations such as Fujitsu and Chevron reported net savings from the implementation of ERP systems.

It also made for lucrative and interesting work for analyst firms. Companies that were founded on MRP strategies, such as AMR Research, suddenly found the movement toward ERP generating a lot of business. Let's not take this for a disparaging remark, however. This was indeed an IT revolution.

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Companies were redesigning their business processes, taking disparate sources of information, and, when the gods were smiling, making their leaner companies more efficient. In short, the work was interesting.

Is it any wonder, therefore, when faced with the CRM conundrum that many of the same companies with strong ERP backgrounds also believed that a suite-based approach would ultimately prevail over best-of-breed. Forrester Research, for example, shows a strong preference for CRM suites and has gone so far as to say that many best-of-breed vendors will be gone (soon).

Point solution vendors will either be acquired or fall by the wayside as firms look to a handful of vendors...and integrators...to implement, integrate, and continuously upgrade their contact centers.<sup>8</sup>

While Gartner's current philosophy on best-of-breed as an application strategy is more balanced, it too shows leanings toward suite-based approaches in the long run. Consider, for example, the following quote from a Gartner presentation:

Building and maintaining best-of-breed front-office solutions across sales, service, and marketing areas are harder than they seem. A best-of-breed approach is becoming less viable in the long term because of the complexity and expense of maintaining disparate front-office systems, as well as the inability to provide a transparent business process across all customer interactions. A high degree of workflow and business-process transparency is generally only found in a suite. Application suites are typically easier to implement than interfaced, best-of-breed departmental solutions; they offer a common look and feel and reduced support overhead. However, the reality is that, through 2004, most enterprises implementing CRM strategies will be required to integrate applications from multiple vendors (0.8 probability). This is due to the overall immaturity of front-office suites (e.g., lack of industry-specific functionality and light functionality in one or more CRM areas), economics (e.g., already installed point solutions), and cultural habits (e.g., local support required). A suite at the core, complemented by best-of-breed applications and technologies is a likely scenario.<sup>9</sup>

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8. "Kick-Starting Contact Centers," Forrester Research, Mark Zohar, Bob Chattham, Gregory Scaffidi, and Theo Dolan.

9. "CRM Vendor Analysis and Evaluation," Gartner Spring Symposium, ITXPO 2001.

This quote is particularly apropos for two key reasons. It correctly identifies one of the problems with a suite-based approach (“immaturity of front-office suites”). But by indicating that CRM vendors can gain the depth within their products by 2004, Gartner also reveals its bias toward this approach. And why not? After all it worked for ERP, right?

Well yes and no. Without question, the backbone of ERP systems was a suite-based approach. That said, a lot of companies sold best-of-breed solutions alongside these implementations. PeopleSoft, for example, had an ERP solution of its own; however, a sizable portion of the company’s revenues came from implementation and integration of their human resources solution sold alongside SAP implementations. Similarly, Manugistics and I2 were and are best-of-breed supply chain companies. Although ERP companies initially tried to offer competitive products, they lacked the core expertise to significantly compete in the supply chain space.

CRM is even more difficult to manage within one application. There are exponentially more customers relative to suppliers; the separate processes that surround these customers (data mining and analytical CRM, sales force automation, workflow, customer interaction management, etc.) each require highly specialized expertise and generally more touch-points need to be supported as well. For a suite-based approach to be truly viable we are asking an IT vendor to be analogous to an individual who has Ph.D.s in statistics, physics, chemistry, and English literature—possible, perhaps, but improbable.

In addition, the concept that suite-based CRM packages offer better integration is specious. In order to ramp up functionality in disparate areas, many CRM vendors have increased their capabilities primarily through acquisition. For example, recognizing that its application had poor analytical functionality, Kana merged with Broadbase, which, in turn, had poor e-service capabilities. Primarily these companies are forced to integrate their products at the database level. While the products may have a similar look and feel, the primary means of integration are the same as those available to best-of-breed vendors.

With the advent of portals and Web service applications as the primary means of interaction to multiple applications, it is also likely that the look-and-feel argument will become less important. As agent and employee portals become increasingly common, the application integration work will become a de facto backbone, one that CRM vendors will be able to plug into. The universal backbone, perhaps the holy grail of the IT world, might well be attainable through open integration technologies such as XML. This topic is discussed in greater detail in Chapter 4.

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One of the key areas in which Gartner is clearly correct, however, is that a few CRM suite vendors will be commonly implemented to attain broad swaths of functionality. Where more depth is required, best-of-breed vendors will continue to be implemented. As with the supply chain application area, it is likely that many application areas will have a sustainable best-of-breed story for some time to come.

### 3.5 Integration needs for customer systems

No software operates in a vacuum. While the CRM suite vendors often argue that less integration work needs to be completed with their systems, the truth is that all systems require integration. Typically, larger enterprise systems require more points of integration than a single best-of-breed system. If we can accept that, in fact, a hybrid environment that integrates best-of-breed and suite-based systems will be prevalent, then we must also accept that determining how all of the pieces fit together is the overriding issue.

While analyst firms are typically not good at letting their clients know how integration should be done, they all seem to recognize that it is a pressing need. For example, according to Forrester Research, companies identified legacy and cross-channel integration among their top challenges in upgrading to a multichannel contact center.<sup>10</sup> The Patricia Seybold Group concurs, stating:

When we engage in e-business, we're applying today's technologies to streamline our business interactions. Those technologies include the Internet, but they also include advanced telephone systems, handheld digital appliances, interactive TVs, self-service kiosks, smart cards, and a whole host of emerging technologies. All of these customer-facing technologies are supported, behind the scenes, by integrated customer databases, call-centers, streamlined workflows, and secure transactional systems. They require systems to talk to one another—seamlessly, reliably, and securely—across company boundaries, geographic boundaries, and time zones.<sup>11</sup>

Unfortunately, little advice is given by any of the analyst firms relative to integration strategy. Only Ovum provides any real guidance. The focus, instead, is on the business processes and reengineering efforts that surround

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10. "Kick Starting Contact Centers," Forrester Research, Mark Zohar, Bob Chattham, Gregory Scaffidi, and Theo Dolan.

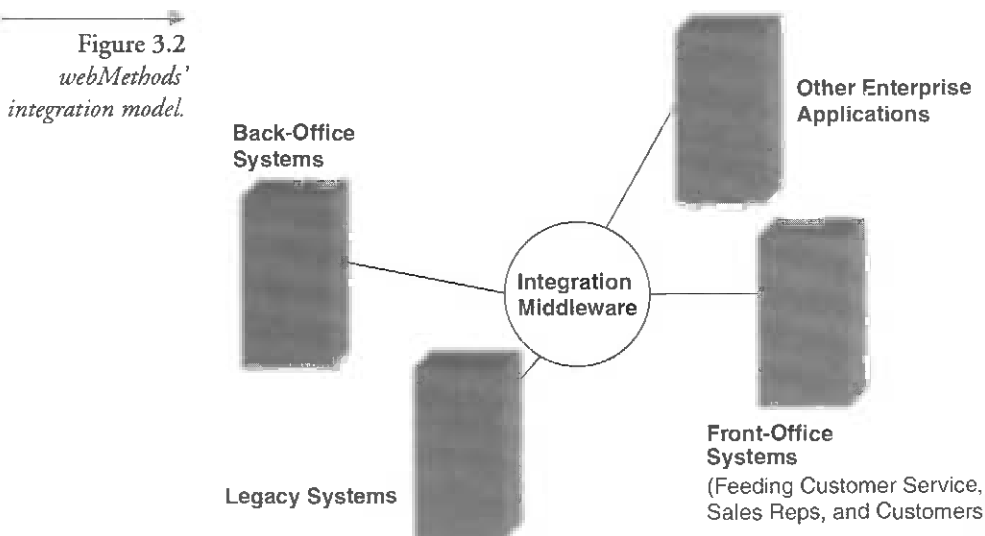
11. Customers.com Handbook, Patricia Seybold Group.

that strategy. In reality, how software is integrated is one of the major cost drivers for enterprise software implementations. As such, it deserves more focus. Figure 3.2 shows how integration vendors such as webMethods suggest it should be done.

Historically, CRM packages have offered two types of point-to-point integration: open API integration, which allows programs to be written to program, and customized integration, in which two software vendors that have been implemented together in the past customize their APIs so that they can be integrated more quickly in the future. These basic forms of integration are expedient, and, often, when the number of applications is limited, provide the best means of cobbling them together. On the other hand, it is clear that they do not provide a total solution to current integration needs. As Ovum puts it:

There are a number of problems with this traditional handcrafted approach, two of which are:

1. The connection is hard-coded so that every time there is an application system or business change, the code has to be rewritten.
2. The “point-to-point” approach (similar to that of the point-to-point CRM integration architecture, but custom-coded) takes no account of any other applications that may need to be integrated. Over time, as the number of applications and connections between



them proliferate, an organization ends up with an unmanageable jumble of code holding the business system together.<sup>12</sup>

The next level of integration is middleware integration, which uses products such as IBM MQSeries and BEA Tuxedo to create pipelines that allow data to pass between applications (see Figure 3.2). In essence, it creates a common data highway. All that applications need to travel along the road is an on ramp and some sense of the final destination. It is important to note that middleware has been widely adopted so that legacy systems (some running on 25-year-old mainframes) can talk to newer applications. While imperfect in many ways, it does allow CRM applications to interface more closely (and more quickly) with myriad legacy data. At this point, few CRM applications have embedded middleware integration in their core offerings, although there are notable exceptions to this in the best-of-breed world.

In its analysis, Ovum recommends enterprise application integration (EAI) as the next logical step in integration technology. EAI allows not only the data-level integration found in middleware but facilitates object-level integration and process-level integration as well.<sup>13</sup> In essence, it approaches the veritable holy grail of CRM integration: the universal backbone. A number of vendors are currently developing applications that answer a part of this need (e.g., Vitria, Active); however, the universal backbone argument has always been easier to conceptualize than actualize. If improvements in this architecture are made, there is little doubt that there will be applications for the infrastructure. However, these applications must include legacy data and meet the current needs of middleware users to be successful.

One of the more interesting integration solutions that the analyst community seems to be focusing on is the use of a so-called portal environment as a means of gluing disparate CRM systems together at the agent's desktop. Portal applications had their beginnings around 1998, when the major search engines of the time, such as Yahoo and Excite, began to offer customized content as a means of improving the customer experience, thereby resulting in better retention. Soon, these publishing portals were joined by e-commerce portals (e.g., Amazon), and corporate portals emerged, as did personal portals. What they all had in common was that they provided individuals with a single point of access to personalized information across the Internet/intranet.

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12. *CRM Strategies: Technology Choices for the Customer-Focused Business*, Ovum Ltd., Cassandra Millhouse, David Wells, David Bradshaw, Laurent Lachal, Katy Ring, Colin Brash.

13. *Ibid.*

Shortly thereafter, analyst companies began extolling the benefits of portals. Portals were in vogue and in an era of ever-increasing Internet financial markets, being a portal company often meant instantaneous success. Delphi Research did extensive work in the area and, as an analyst company, undoubtedly led the charge. Consider the following quote, for example:

Arising seemingly out of nowhere in 1988, the corporate portal is, in fact, coming into prominence because of well-understood dynamics in both Internet technologies and the adoption pattern of corporate intranets. Delphi Research confirms that organizations' readiness and current infrastructure make the rapid growth of the corporate portal a first priority for 1999 and 2000.

Delphi was absolutely right. The corporate portal boomed as long as the Internet economy did. Unfortunately, when the bottom fell out of the Internet economy, portals lost their appeal as well (much to the chagrin of many analyst companies). In that time period, many CRM companies had developed portals as customer interaction points. Even in the face of a shrinking economy, a few of these companies have extended the concept to the service and/or sales agent's desktop. As Meta Group noted, "Although portals have traditionally been a passive environment, we believe that they will increasingly be exploited by users as an active medium to integrate passive content with corporate applications."<sup>14</sup>

It is when we extend this concept to include integration of multiple corporate applications that the CRM portal becomes a promising development. Increasingly, CRM application vendors are creating HTML versions of their applications. It is, therefore, possible to use the portal to serve up multiple CRM applications at a single point of interaction. When we combine this with a new generation of Internet language such as XML that is capable of passing metadata between applications, you can see that this might actually become a primary point of integration once accepted standards have been established. While point-to-point, database, and middleware integration are not likely to become obsolete, XML might enable EAI to become a reality. The concept of portals and Web services applications is discussed in greater detail in Chapter 4.

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14. Meta Group Customer Relationship Management Conference, Breakout Session Notes, "Building the Customer Portal: Beyond Bells and Whistles."

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### 3.6 Increased incorporation of customer knowledge and customer analytics

Another emerging realization in analyst firms is that knowledge about the customer will play an ever-greater role in CRM. The day is coming when companies will be able to profile their existing customers, understand important characteristics (e.g., profitability), and incorporate that information into their sales and customer service interactions. As Jon Anton of Purdue University says, “This ease of customer access is fast emerging as the critical element of global business strategy. In the not-too-distant future, customers will deal preferentially with those companies that are deemed to be most accessible in terms of mission-critical information seamlessly integrated throughout all customer touch-points.”<sup>15</sup>

Today, most companies already incorporate the ability to identify and give preferential treatment to their “gold-level” customers. Similarly, the latest generation of customer portals provides targeted advertisements to individual demographic groups of customers.

One of the more interesting recommendations to come from the analyst communities is that companies should use this analytical knowledge to “fire” a portion of their customer base. According to Meta Group, for example, a company should stratify customers based on customer profitability (how much), customer loyalty (how often), and customer latency (how many).<sup>16</sup> In essence, the company should analyze past buying behavior in order to determine this customer’s net value to the company. While this transactional approach is both logical and common, it lacks a basic understanding of what I like to call the “Uncle Dave” effect (a.k.a. “viral marketing”).

The Uncle Dave effect works like this. You are a consumer of products and services offered via the Internet but have neither the time nor the patience to spend time actively investigating new Web sites. Your Uncle Dave, on the other hand, can think of nothing better to do. In the process of visiting a number of new sites, Uncle Dave has placed himself on the mailing lists of several companies. While he rarely purchases anything himself, Uncle Dave frequently forwards you (and his other friends and family) marketing opportunities that he thinks you might be interested in. While he doesn’t always hit

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15. “Call-center Performance Benchmark Report,” Dr. Jon Anton, Purdue University.

16. Meta Group Customer Relationship Management Conference, Breakout Session Notes, “Customer Behavior Modeling: Getting Intimate with the Customer.”

it just right, there have been a number of purchases that you have made on Uncle Dave's advice.

Now, would you want to fire Uncle Dave? If you identify him as a knowledge broker who directs your offers to paying customers, then the answer is clearly no. The problem is that, using Meta's pure transactional-based approach, we miss Uncle Dave's influence. He is improperly identified as a poor customer and is "fired." Not only is Uncle Dave upset at this prospect, but he might even pass this disappointment on to his impromptu community. The better approach, which Jupiter Media Metrix correctly identifies, is to factor in engagement behavior so as to correctly assess loyalty.<sup>17</sup>

Given that the incorporation of analytical data is becoming more commonplace, it should be noted that we are truly at the beginning stages relative to this trend. The incorporation of behavioral data, for example, is still quite problematic, with 43 percent of companies indicating that they cannot incorporate it into customer profiles. Similarly, 45 percent of companies claim that they collect more data than they could potentially analyze.<sup>18</sup> Not only does it take a great deal of expertise to correctly warehouse and mine large amounts of data, but customer data repositories such as the master customer file must be able to receive metadata from the analyses. Don't expect suite solutions to have the expertise to provide the analysis; all CRM software will face significant challenges in terms of identifying and utilizing metainformation.

### **3.7 The universal queue**

One of the more compelling theories that analysts (e.g., Forrester Research) have put forth in recent years is the idea of the universal queue. In essence, a universal queue posits that a new generation of application software will emerge that will give companies the ability to manage all inbound service calls, be they via telephone, e-mail, or Web form, in one inbound queue. The company would then gain the ability to use a single skills-based routing structure to manage all forms of inbound traffic. They would be able to actively balance agent loads between media types, and reporting all call-center statistics within one reporting tool would be easier and more meaningful.

It all made such beautiful, perfect sense. The only problem is that, as an initial concept, it assumed that four steps in the customer interaction process

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17. Jupiter Media Metrix, "The Tipping Points of Customer Retention", David Daniels

18. Ibid.

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(universal inbound queuing, universal skills-based routing, universal agents, universal reporting) were all sufficiently uniform that it made sense to include them all within one end-to-end queue.

The reality turned out to be quite different. End customers generate asynchronous communication—e-mails, letters, faxes, and the like—with different tolerances with respect to response time than they expect for synchronous communications. In addition, the technologies needed to determine the categorization of each communication were quite different.

Universal skills-based routing is the one area that does, in fact, show some promise. However, the administration of skills for electronic communications has, to date, been so different that call-centers are rarely burdened by maintaining separate skills-based routing systems. Similarly, while the concept of a universal agent has wide appeal, it too is impractical. Most call-centers have found that agents skilled in typing and online communication rarely make good telephone agents, and vice versa.

The universal queue idea is one that has been hibernating within the walls of the analyst firms but is, in reality, impractical and inappropriate. It ignores the human dimension of different types of people, with different skills, dealing with multifarious communications. While the end goal of universal message management is a laudable one—a common customer interaction history file—this can be achieved in a more practical way by using middleware and integration technologies.

### **3.8 Customer satisfaction surveys**

One emerging trend in analyst thought is rather ironic. In recent months, Gartner Group and AMR Research have each been exploring the concept of including customer satisfaction surveys with e-service and e-sales transactions. Some e-commerce packages have begun to incorporate this technology, and e-service companies are likely to follow suit in the near future.

One interesting point about the inclusion of this “research” capability is that, strictly speaking, delivering a research measurement instrument with the sales or service transaction in essence breaks one of the important principles of marketing research—the selection of a representative sampling frame. Typically, a phone-based alternative to this technique would have a research agency call into a sample of the sales or service transactions at random. These customers would then randomly represent the entire set of customers who made transactions in that period. Ostensibly, there should be no bias toward

participation if the customer had a positive or negative experience. While one could still select transactions at random in the online paradigm as well, the proximity of the research invitation to the transaction delivery is likely to create a bias toward negative answers. Assuming that no additional incentives are involved (such as the opportunity to win a car), those customers who just had a negative experience are far more likely to respond than those who had an acceptable one.

That said, this research inclusion should be viewed as a tremendous opportunity for most CRM companies. Even though the final results might not be projectable to the customer population, they will accurately point to problem areas that need attention. Essentially, they will serve as service-level parameters that will generate improvements in customer service.

As Bob Chatham of Forrester Research says in his article, “The Customer Connection”:

We had a great conversation with Paul Cole, practice leader in CRM at Ernst & Young.... Early in the call, Paul wryly observed that “there’s not much ‘C’ in most CRM initiatives—the customer never factors into the equation.” Given our observation in this report that there’s not much “R” either, that leaves us with just “M,” of which most firms seem to have an abundance.<sup>19</sup>

Chapter 10 discusses the role that market research might play in defining CRM processes and discusses how customer satisfaction *and* brand engagement metrics can be incorporated.

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19. Forrester Research, “The Customer Conversation,” Bob Chatham with Laurie M. Orlov, Eroica Howard, Ben Worthen, and Alexandra Coutts.

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# *The Application Revolution and Its Implications for CRM*

## **4.1 Background**

Several years ago I was undertaking a research project for a business-to-business client and interviewed a very senior business strategist for a major electronics firm as part of the data-gathering effort. One of the points he made was that in the future, the most successful companies would be those that concentrated on developing processes designed to enhance their brands. He saw such processes as the only core competency he felt his company should be interested in.

The concept of business processes being inextricably linked to brand development is not one that trips off the tongue of most brand managers. However, it's a very interesting concept. Later in this book I introduce brand-related aspects of CRM. Indeed, ultimately, CRM will steal significant ground from the marketing discipline.

This chapter discusses some relatively new technologies that will potentially change how CRM applications are delivered to users. However, it also suggests that the integration of disparate applications to create new CRM applications, exactly fit for purpose for different communities, is what CRM practitioners need to focus on.

This chapter also predicts the development of new types of operational front-office systems built into portal environments. Such portals will give customer-facing knowledge workers increasing access to information that will ensure that customers obtain better experiences when contacting organizations with which they may seek to do business.

Later in the book I discuss the marketing aspects of CRM. However, it is worth stating here that integration technologies will allow greater closed-loop systems to be developed, enabling customers and vendors to see the consequences of each other's actions much more clearly. The relationship becomes more open and transparent, and each party can then define more precisely the nature of the relationship that they require.

Such systems, are, therefore, intimately linked to brand management processes, because brands succeed or fail on the basis of how well they engage customers for a long-term profitable relationship. If CRM applications are disjointed and uncommunicative, it is quite possible that a customer could have a whole series of uncoordinated and inconsistent brand experiences that reduce loyalty or make continued loyalty difficult to predict.

## **4.2 Myriad definitions**

Chapter 9 introduces the concept of dynamic e-processes and presents a view from a Hewlett-Packard position paper that such processes represent the third phase of an evolution toward intercompany application integration. In my view they are merely a subset of the various integration processes companies will need to have in place to create a consistent and unified customer experience.

Even today, we are faced with an array of technologies that are at the same time exciting, confusing, and overlapping. Vendors do not make the situation any easier by using sloppy language and attempting to force-fit their offerings into categories into which they were never designed to fit.

Why are these technologies of interest to us? Well, they are of interest because they help get relevant information or services to where they need to go, thereby enriching the customer experience. Brand engagement comes about when vendors proactively add value to the relationship in various ways. Should a customer spontaneously make contact via a storefront or via the telephone there is a requirement for the quality of service to be high and for key transactional information to be provided. The technologies that make this possible, increasingly, are integration technologies.

## **4.3 The portal concept**

Application integration is of use only if there is a common access point or interface into these integrated applications. Numerous vendors are competing for this space, including an array of enterprise portal players (i.e., software

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vendors that offer integration technologies or browser-based front ends on disparate corporate data resources).

However, several of these portal players are also actively developing offerings to allow emerging standards to play a part in the process. This is where things get a little complicated. The logic is that if the first phase in the development of e-processes is getting information to where it needs to go within the corporation, it makes sense to adopt technologies that will allow the corporation to engage in external transactions as well without having to rip out all the plumbing. Therefore, a blurring of category boundaries occurs between application integration technologies, portals, and Web services.

Web services is an emerging concept, one not wholly described as yet by international standards, that allows seamless connectivity between disparate applications that may be of use to an organization hoping to define an e-process (made up of a bunch of Web services). Not exactly a purist definition, but it'll do for the minute. Here's a more exacting one from Adam Bosworth of Crossgain Corporation:<sup>1</sup>

The term "Web service" describes specific functionality, value delivered via Internet protocols, for the purpose of providing a mechanism for another service or application to use.

Web services enable the componentization and reuse of traditional Web applications. And example is a Web service to calculate sales tax. As a Web service, applications have the ability to embed the sales tax functions, or Web services, to create an online consumer sales experience.

By exposing components of applications as Web services, and enabling businesses to invoke these components, businesses can fundamentally transform their ability to interact and engage with both current as well as potential customers and partners. Web Services will fundamentally transform Web-based applications by enabling them to participate more broadly as an integrated component to an e-business solution.

However, a point about Web services needs to be made. There are many analysts and software firms arguing that Web services will essentially replace all internal systems and processes. This is utter nonsense. In the same way that Application Source Providers (ASPs) do not provide all business applications

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1. From "Developing Web Services," a position paper by Adam Bosworth of Crossgain Corporation.

today, by the same token Web Services Providers (WSPs) will not replace all internal applications in the future. They will have a role to play but not an exclusive role. Therefore, integration, middleware, and components technologies, as well as Web services, will each have their parts to play. In my view, however, portal technologies will become more and more important in terms of the delivery of key services—internal services (which themselves might use Web services standards as an integration protocol) as well as true, external, Web services.

## **4.4 The integration: Here and now**

For the minute, let's focus on the here and now. There is an array of technologies floating around competing for various aspects of the portal or integration space. There have also been a few interesting startups that have given themselves the pretext of being Web services trailblazers but in the interim need to generate some revenue. Consequently, they have grasped portal technologies and integration as their own (companies such as Cape Clear and Bowstreet and Tibro would fall into this category).

At this point, let's remind ourselves why all of this stuff is important in a CRM context. Then we'll have a look at some technologies that are emerging that claim to offer some help in fixing things. (Remember, these are not overtly CRM technologies but rather plumbing that might make customer processes better.)

People who use CRM systems—sales, marketing, and customer support staff, as well as customers themselves—are often frustrated by the experience. A common complaint by salespeople, for example, is that they are not sufficiently up to speed with what's happening in product marketing. If only they had known that that new feature would be available in Release 7.2, they would have been able to close the deal. Or they may claim in their own defense (on the defection of a key customer to a competitor) that they had no knowledge of any dissatisfaction on the part of the customer. They simply weren't informed.

Call-center staff often complain that customers call inquiring about things that they, as front-line representatives of the company, have no knowledge of. Customers may have heard about a profits warning on the news and yet the call-center staff members have nothing so say on the matter; they are totally oblivious to the development.

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Customers visiting an electronic storefront on the Internet may wish to place an order but are not informed that three of the five products ordered are out of inventory. Or they may wish to send a customer-support e-mail, but the site doesn't permit support-related e-mails.

The long and short of all of this is that critical information or services are not made available to people who need them. The argument is that with the availability of integration and middleware toolkits and collaborative front ends, CRM data and services can get where they need to go.

## **4.5 A mix of front ends**

There are a variety of so-called front ends competing to be the definitive access points into mission-critical customer data. Over time these interfaces will evolve, and some will win the day in terms of being best-of-breed for front-office operational needs.

Digital dashboards, a term used mostly by Microsoft, are collaborative front ends that allow (to use Microsoft's term) "knowledge workers" to have fingertip access to key information. Microsoft's digital dashboard front-end environment is to all intents and purposes Outlook—Microsoft's e-mail client and organizer. This is the fundamental difference between a digital dashboard and an enterprise portal (i.e., the front end is a proprietary collaborative interface rather than a Web browser).

Using an e-mail-based front end, however, makes a lot of sense. E-mail is, for many so-called knowledge workers (and in the CRM space such workers could be customer support personnel, sales staff, or marketing personnel) the first application they open in the morning when they start work. The Outlook Today view displays e-mail folders, calendar, task list, and the like. A digital dashboard displays other information, which can be defined by the corporation to include a host of additional information.

Let's take the example of an application developed for an insurance company with hundreds of direct salespeople. The dashboard would be designed to display the following:

- E-mails from customers
- Internal e-mails
- Latest product alerts
- Sales against budget
- Sales contact database

- Sales training presentations
- Latest insurance news
- Team chat

The salesperson would have all the key information needed to conduct business at his or her fingertips.

Microsoft describes components contained in the dashboard as Web parts; some of them are available from Microsoft, and some, more complex ones, are available from third-party software vendors—such as sales force automation products or automated contact response tools.

Enterprise portals differ from digital dashboards in that they use browsers as the front end of an enterprisewide data integration effort. Different communities can be given different data views. Organizations such as Plumtree and Tibco are very active in this space, often working in tandem with enterprise application and integration vendors, such as WebMethods or IBM. In addition, the portal may be extended outside the enterprise, allowing customers or channels to define their own views.

However, portal technologies are still relatively hardwired and company specific. They may allow greater communication between parties, but they still require a high degree of integration effort and a host of separate adapters to be built between applications.

## 4.6 New integration paradigms

There is a threat lurking in the shadows for those CRM application vendors that develop and sell so-called hardwired applications or integration adapters. According to Gartner Group and several other market analysts, the market for traditional applications will dissipate as businesses demand increasingly Web-centric applications. Bowstreet is trailblazing the concept that business Web services require much less integration effort to create specific application environments for individual communities of interest. This is not a pure Web services argument as such but rather a much more flexible way of reassembling application components just in time for different communities.

The argument goes that rather than attempting to integrate a bunch of legacy applications, it makes more sense to define internal (eventually *all*) business processes as collections of Web services. Therefore, eventually all CRM services would be defined in this way. This would obviate the need to implement costly, inflexible migration efforts to get information flows right.

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Rather, simply define the process and then look for the relevant services to provide it.

Siebel too is suggesting that a portal approach is the way to go. Siebel 7 is a Web-centric approach to CRM. According to Siebel, its zero-footprint approach makes access to Siebel applications ubiquitous (i.e., if users have access to a browser and have the necessary user rights, then they have access to the power of the Siebel application). However, there are alternative approaches that require somewhat less reliance on Siebel proprietary application software.

For example, SAP has invested in an entirely new division called SAP Portals. (Chapter 8 focuses on vendor strategies and on SAP's portal directions.) There are other players too in this space, such as Plumtree. According to U.K.-based industry analyst Ovum:

Software vendors are jostling for attention in the emerging portals market. It seems like almost all of them are claiming a portal element to their solutions. Portal software may be flavor of the month, but behind the hype lies genuinely innovative software from “pure play” portal vendors that can solve pressing information needs within organizations—and even squeeze out Windows as the main user experience.

Delivery of application functionality through Web browsers means that it's much easier to deliver content, as well as Web Services, across a range of devices, including non-Microsoft platforms such as UNIX workstations running Netscape.

Hypothetically, portals could potentially displace Microsoft desktops as the standard application. In a front-office context, the portal would provide an assemblage of customer-related information, customer engagement environments, and related services to myriad customer-facing staff. It is certainly SAP's intention for its portals to sit on the desktops of literally hundreds of thousands of users instead of the thousands (or tens of thousands) of SAP application users today.

Again, according to Ovum,

The best portal technology provides significant data integration functionality “at the glass” (i.e., on screen). It can pull content from multiple sources and integrate it on your screen rather than in back-end systems, as happens with enterprise application integration (EAI). So far, organizations canvassed by Ovum are hugely enthusias-

tic about their experience of implementing portal offerings. For some, it gives them a simple way for users to access data, and also means they can “brand” the user interface—this is of particular importance if they are providing information along a supply chain. Others are looking at portals as a way of souping up their intranets. Some businesses have hundreds of intranets spread across a company and are frankly in a mess. Multiple intranets defeat the object of a company-wide system.

SAP is probably best placed at time of writing to potentially win a leading position in the portal space. Its acquisition of Top Tier, an Israeli firm noted for its strong integration credentials, has given it some technical competitive advantage. However, it would appear that in a CRM context, portal technology is a neat and effective way of integrating and delivering content and services to key employees, channels, and customers.

## **4.7 An integration chronology**

To an extent, therefore, integration technologies are adapting themselves to the new environment they are finding themselves in. In the short term, disparate front-office applications can be given some semblance of cohesion by having a unifying proprietary interface. A logical extension of this approach is to make use of ready-developed integration adapters and a portal-type user interface. The next logical phase is to reduce dependence on hard wiring and integration and to focus simply on processes and service bundles (which will require the use of externally developed Web services and internal application components).

The change in thinking is reflected in the way middleware has been changing. In the early days of computing, things were relatively easy. Computing power was limited and expensive, and, by necessity, everything was easy to manage in a central location. The mainframe computer dispensed its services to a relatively small number of dumb devices. There wasn't much opportunity for users to define their own ways of doing things. But at least the systems were secure and (relatively) easily maintained, provided a sufficient army of developers was available to undertake application maintenance and support.

As the costs of computing power declined and the PC arrived on the scene, everything changed. Big, mission-critical applications remained on the mainframe or on a UNIX box (because of the data integrity and security advantages they offered), and general and administrative applications moved

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into the client/server arena. However, over time client/server-based networks became as powerful as the mainframe, and, inevitably, certain business departments decided to make declarations of independence from the mainframe. Sales departments did their own thing, call-center applications were developed in isolation.

Then the Web changed everything again. As businesses—particularly big businesses—started to port some of their business processes to the Web and started setting up storefronts, they quickly realized that all of these separate applications that exist on their own islands of networks or in big mission-critical systems needed to be connected somehow.

The secret to connectivity of applications lies, of course, in middleware. Middleware allows applications to talk to each other. It allows mainframe applications to talk to client/server applications and for front-office applications (e.g., call-center applications) to talk to back-office applications (e.g., inventory or supply chain systems).

It's probably fair to say, and most CIOs I speak to these days would agree, that systems integration is the new mantra for those responsible for business systems. If "Lost in Space" were remade today, the robot would have an annoying habit of stating "does not integrate" rather than "does not compute." It also helps to explain why some of the fastest growing software companies during the past decade were middleware companies: BEA, Computer Associates, webMethods, and—ahem—IBM.

## 4.8 The WebSphere story

IBM has redefined itself not by building applications but by trailblazing into application integration and middleware. It no longer develops its own applications but rather does something more strategically important: It develops and markets the toolkits, components, and methodologies that developers are ever more reliant on.

IBM's WebSphere has redefined what IBM and corporate computing is about. It is not unique in its field any longer, of course. IBM has many competitors, and middleware products are becoming increasingly "open" in terms of the international protocols they adhere to, but it has created something in WebSphere that is pretty radical. WebSphere *represents* an ethos. IBM WebSphere is the commercialized product bundle that arose from a development project within IBM called SanFrancisco (indeed SanFrancisco still lives as a product bundle within the WebSphere product family). In 1997 Chuck

Gauthier and Dave Truxal wrote a white paper called “IBM SanFrancisco Application Development Environment.” The following is an extract from that white paper:

SanFrancisco is more than a set of business processes, business components, or business frameworks. It is designed for future evolution and growth, with an architecture that enables reuse within SanFrancisco itself. SanFrancisco has three architected layers: application segment—specific “Core Business Processes (CBPs),” multiple application segment “Common Business Objects (CBOs),” and an application-independent distributed object-oriented infrastructure called the “Foundation.”

CBPs are application specific and, typically, high-level commercial business process frameworks, such as General Ledger, Warehouse, and Order Management.

CBOs support multiple application segments, and are primarily commercial objects or miniframe “patterns.” Examples of CBOs are customer name and address and currency.

The Foundation layer supports all application segments in all industries. It includes an application infrastructure comprised of a set of fundamental object building blocks, which are typically collaborating objects and services. Examples of Foundation content include: entity, dependent, and command objects; a set of utilities that provides session management, synchronization, and conflict control; and a set of query, transaction, and event/notification services.

Let’s focus now on some of the claims made for SanFrancisco and consider the implications for CRM.

## **4.9 A closer look at Web services**

The interrelationship between business processes, business objects, and a foundation infrastructure was future defining in more senses than one. The concept of processes, objects, and “glue” interworking to create applications has now been extended into the Internet world. What SanFrancisco and WebSphere made possible in terms of corporate applications has given rise to the concept of Web services—with the addition of the Internet in the recipe.

SanFrancisco was the first high-profile commercialization of the concept of objects and methodology coming together to create applications. There-

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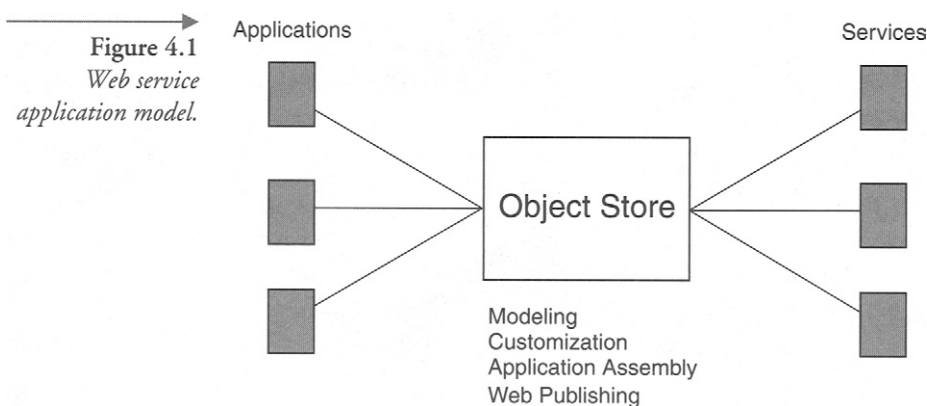
fore, rather than the application being hardwired, it was simply an assemblage of components—just as a symphony is an assemblage of notes.

By being able to deconstruct, reconstruct, or improve on the basis of the availability of improved components, applications could improve more markedly than if they were hardwired (it's in this way that cars are significantly better than they used to be because they are based on assembled components).

## 4.10 Integration and the implications for CRM

As will be discussed elsewhere in this book, CRM is a lot about interaction—interactions between sellers and buyers—and interaction across a variety of touch-points. At the seller end, various individuals might engage in dialog with the customer—sales representatives, call-center agents, and perhaps dedicated account managers. Increasingly, the customer also demands to do business on the Web with no other human involvement (but with an expectation that the selling organization has an understanding and knowledge of previous transactions that may have had a human involvement).

Figure 4.1 illustrates a generic Web services application (WSA) model. The model presupposes that a variety of applications already exist and can be integrated. The integration process utilizes integration tools from companies such as IBM, Web Methods, or BEA to take business processes, represented by legacy applications, into a store (called the Object Store in the diagram). These processes or objects are then reassembled for specific groups—such as call-center operatives, sales personnel, or even customers using a storefront application. This means, in effect, that customer-facing staff are not restricted to using point-product applications or switching between applications with



different interfaces. Rather, applications are specifically built for each and every community of interest.

Until organizations, particularly large ones, move away from an application-led computing model to a Web services model, the integration effort in building Web services applications is significant. Companies such as Bowstreet, a trailblazer in the WSA segment, admit the need to partner with companies such as Web Methods—companies that have earned their laurels integrating plain old hardwired, legacy applications.

The sprint to integration is not simply to facilitate the process of building WSAs. There are other key reasons. CRM applications feed information to individuals who provide information to, and elicit information from, customers. If employees do not have appropriate information at their fingertips when they are interacting with customers—such as recent transactional or interaction history (across all channels)—then opportunities for cross-selling, for example, can be missed. Similarly, if employees do not elicit appropriate information from customers and do not record it appropriately, the customer interaction may be wasted.

Giving employees, who work at customer touch-points, appropriate information, is a massive challenge. Customer account histories, product inventory information, and the like are typically contained in so-called back-office databases or ERP applications. In fact, it is a great irony that the more mundane the department within (say) a typical manufacturing company is, the more critical and useful the information is that it holds about customers. Credit controllers, typically, have better and more intimate information about customers than salespeople.

Front-office and back-office integration is one issue, but another is the fact that front-office applications do not share information. A simple example indicates how fundamental an issue this is. Customers are increasingly choosing to communicate via e-mail. In order to manage the deluge of e-mail communications, some companies have invested in e-mail management applications—applications that determine the category of content of e-mail messages, suggest a response, and route the inbound message and suggested response to an e-mail handling agent.

Now, let's consider a scenario in which a customer sends an e-mail, gets a response, and then calls the company about the same topic. The odds are that in most companies a call-center operative would have no knowledge of the previous e-mail communication and would be unable to retrieve it from the

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e-mail application in which the communication is held on the customer history file.

This is a major issue. It's just one example of how companies can build islands of data that do not talk to each other. And from the customer perspective, it creates the impression of an organization that adopts sloppy management processes and does not value customer relationships. Not good.

According to webMethods, the software integration firm, the four key benefits to be achieved from integrated front-office applications are as follows:

- *Decreased time to revenue*—integrating front-office applications with order processing and billing systems to allow products to be ordered, shipped, and invoiced immediately.
- *Increased sales*—because front-office staff have access to all the information they need about customer accounts, orders, and contracts. Having this information allows staff to make better decisions, give customers good advice, and take advantage of opportunities to sell other products to customers.
- *Increased customer retention*—getting customers to come back time and time again because they value the experience of doing business.
- *More efficient operations*—eliminating the need to rekey information into disparate systems or to undertake reconciliation between systems. In an integrated environment all the disparate systems update each other.

In an ideal world, of course, an integration effort would result in these changes being made overnight and the integration exercise would be simple and straightforward. This is rarely the case. Even market analysts such as Meta Group admit that the establishment of a CRM ecosystem remains a still unrealized panacea. Further, in a front-office environment it's never going to be easy to integrate applications that are used by different people and departments and require fundamentally different processes.

Let's consider the example of e-mail management again. In most cases, if companies have implemented point solutions for e-mail response management and voice contact, the applications are totally separated. Voice calls are typically routed through an automatic call distribution system and are processed by an operative with the necessary skills to handle the call, based on a skills profile held in a call-center application. E-mails or Web interactions typically take place via an Internet service provider to a mail server using standard Internet protocols such as POP3—and then to the e-mail response

management system. The interfaces, the functionality, and the nature of operatives using these applications are very different. How can integration help in the ways outlined by webMethods?

The efficacy of such an approach depends on fully understanding the ergonomics of data provision. For example, in the case of e-mail management, the application should be able to instigate an appropriate data request automatically if a message falls into a certain category—or at least prompt a customer service representative with the necessary messaging request dialog on screen. To put it another way, the interactivity between applications needs to be proactive to facilitate some of the advantages that webMethods outlined. Therefore, the issue is well-planned integration and an understanding of the ergonomics of front-office applications. More fundamental even than this is the requirement to source applications that are integration ready and ship with connectivity services built in.

## **4.1.1 Defining an integration approach**

Defining an organization's integration approach inevitably requires the organization to have an idea of which application integration product it might use in advance of choosing point applications.

It's worthwhile mentioning here that certain CRM software vendors state that they offer suites of ready-integrated solutions that require no integration middleware. There is only limited validity to this argument. Suite components rarely offer best-of-breed performance and functionality. Moreover, as indicated previously, components are likely to be used by different operatives or in different situations, where it is likely to be difficult to know what information might be required to satisfy customer need in advance. Finally, even suites need to integrate with legacy applications; consequently, defining an integration approach is still a necessity (increasingly, the preferred integration approach will be to use open integration standards such as XML or SOAP, as discussed further in this chapter).

But let's go back to how front-office integration solutions should be chosen. There are some common-sense rules. But with the inevitable need to add Web services to the mix at some stage in the future, a "watching brief" will be required to ensure that the integration route can be used to help at least partially populate a Web services "object store" at some date in the future.

In the same way that applications should be integration ready, enterprise integration tools should work with a variety of applications, even applications

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not currently used by the organization. Increasingly, it would also be prudent to check that an application integration vendor has a strategic partnership with a portal tools vendor or Web services outfit with sufficient standing, even if a portal or Web services strategy is not being considered currently.

Another overriding consideration, regardless of the integration or delivery method adopted, is the methodology used to determine the strategy. All too often, integration projects are put in place without reference to information needs. In the CRM space, in particular, this is criminal.

A methodical program of customer and employee satisfaction research can identify performance gaps very easily. Salespeople, for example, are always ready to vent their frustrations; typically, the frustrations relate to poor communication, being overlooked in terms of product updates, or not knowing when another salesperson has been allocated an account. A digital dashboard solution or an enterprise portal can remedy these performance gaps, but the gaps must be identified first.

In the same way, regular customers or lapsed customers must be questioned on their satisfaction in dealing with electronic storefronts, call-centers, or customer support personnel; how else can data integration, portal, or Web services projects be used to improve customer satisfaction metrics? Research considerations are dealt with in greater detail in Chapter 10. However, it is probably sufficient to state here that it is very rare for CRM system development plans to be based on empirical employee or customer data gathering, but it is essential to identify pilot implementations and the likely specification for a full system roll-out. Therefore, employee and customer research must become the norm before a CRM approach can be specified.

## **4.12 A closer look at XML and SOAP and the operational front-office portal**

If the new CIO mantra is all about integration, XML should get a verse or two to itself. XML is to integration what Sanskrit is to mantras. The purpose of this discussion is not to provide all there is to know about XML. Rather, what follows is a far from exhaustive discussion of how XML and XML-based protocols will support the development of glued-together CRM applications ideally suited to Web delivery.

XML.com is an excellent source of information about XML and SOAP, and the following is taken from the excellent “XML FAQ” on that site.

XML is the Extensible Markup Language. It is designed to improve the functionality of the Web by providing more flexible and adaptable information identification.

It is called extensible because it is not a fixed format like HTML (a single, predefined markup language). Instead, XML is actually a “metalanguage”—a language for describing other languages—which lets you design your own customized markup languages for limitless different types of documents. XML can do this because it’s written in SGML, the international standard metalanguage for text markup systems (ISO 8879).

Implicit in this definition is the fact that XML has a wide brief. It is not overtly a standard for application interoperability; rather, it is a Web-focused markup language.

SOAP is an XML-based protocol that allows procedure calls to be sent across the Internet in the serial format required by the Internet. These procedures can exist in a Web-based service and behave in a manner identical to a local service. The key thing about SOAP is that the procedures can be interpreted by the Web service regardless of the platform from which they are sent and to which they are sent.

SOAP messages are XML-based messages. As such, they are ideal for the development of Web service applications. And the significant thing about SOAP is that the main software and platform vendors—Microsoft, IBM, and Sun—have embraced the technology and have released SOAP-based toolkits designed to simplify the process of building WSAs.

SOAP’s transport protocol (the means by which remote procedure calls are sent across the Internet) is HTTP, which is currently used for Web sites to request HTML pages from Web servers. So the technology is already proven and working. SOAP simply uses the same protocol to invoke a procedure from a remote application by way of a standard URL. Just as I can browse a Web site and request (by clicking a link) a new page of information, SOAP will request that a procedure be performed in a remote application to support a Web-based application. The round-trip time for SOAP messages/responses is similar to that for populating a dynamic Web page.

Over time, SOAP messages will also be carried over to other transport protocols, significantly including IBM MQSeries, the most ubiquitous messaging standard used in large corporations.

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What impact will this have on CRM? There will be several consequences. First, the arrival of these protocols allows Web services to be embedded into CRM processes. Web services can form part of a simple sales presentation, or an entirely new application can be assembled using Web services. (Dynamic processes incorporating Web services are discussed in greater detail in Chapter 9.)

## 4.13 Web services and CRM

Much of the previous discussion has focused on how integration is increasingly about the use of component technologies. IBM WebSphere represents a middleware platform that contains business objects or components that can be reassembled to create new applications appropriate for different communities of interest. Web services extend this model outside of the enterprise and allow Web applications to be turned into business objects that can be reused.

Chapter 9 discusses the adoption of processes designed to embrace Web services. Such processes may eventually replace current processes or workflows that depend on internally developed applications or services. Over time, we will see the development of amalgams of services—internal and external. Web services will play a greater part but will not entirely replace the need for integration technologies and hardwired applications.

However, there needs to be an appropriate recognition of the fact that significant investment has been made in the development of so-called legacy processes. With the arrival of Web services, such processes can be repackaged and offered to channel partners, suppliers, and even customers as Web services. As this happens increasingly, companies will find themselves building (on the back of services rather than data) unique value-added interenterprise integration services that enrich the customer experience.

## *Analytical CRM*

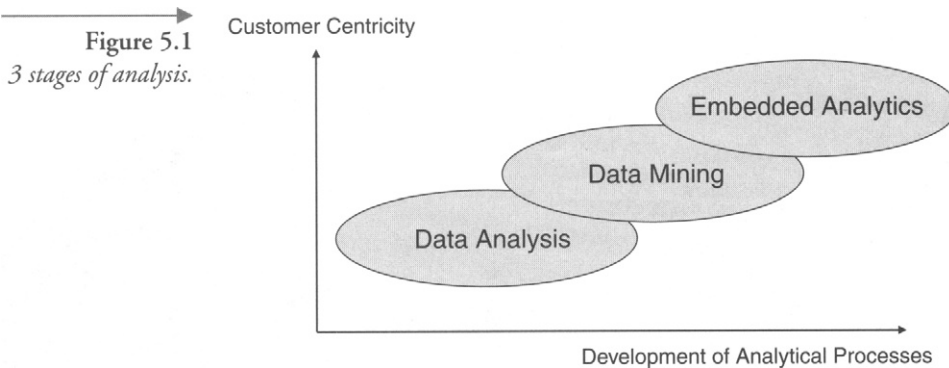
### **5.1 Enhancing relationships**

Previous chapters have discussed how appropriate communications with customers form the backbone of CRM strategy. However, as hinted at in Chapter 1, communications need to be appropriate and considered rather than inappropriate and bland. Why?

Well, I've labored the point already that if communications are appropriate, they relate exactly to the customer need. And if customers are engaged in the process of transacting, fine-tuned communications can enhance the customer relationship on a number of different levels. The key to appropriate communications is a deep understanding of the customers' needs and motivations. With the arrival of the Internet, there is an opportunity (if the customer engages directly) to understand the customer's needs and desires at a disaggregated level.

We talk in this chapter about three "waves" of CRM and suggest that for CRM processes to be effective they need to be customer centered and embedded. To date, analytical CRM has stopped short. (See Figure 5.1)

The move toward disaggregating customers is perhaps what we call "Wave 3" CRM analytics are all about. There are hints in other chapters of this book, and later in this chapter, that CRM processes and technologies have often emanated from market research disciplines. However, market research has traditionally operated at the aggregate or subaggregate level (i.e., market research attempts to describe consumer attitudes *en masse*). Researchers talk about types or clusters of customers with unifying traits or homogeneous behavioral patterns. When researchers use analytical tools, they attempt to identify like-minded bunches of respondents using multivariate techniques.



And, of course, they analyze *respondent* data because, typically, they have to sample customer populations in order to obtain the necessary data required to feed into the analysis model. It's unlikely to exist in a customer database and would be too difficult and costly to collect from the entire customer base.

Indeed, in most developed countries, professional market researchers operate according to strict professional guidelines—sometimes self-imposed, sometimes imposed by data privacy laws. These guidelines state that survey respondent data should not be associated with individual respondents and should not be disclosed to the client. Therefore, researchers are only able to describe types, not individual consumers. In an analytical CRM context what we later call Wave 1 analytical CRM tools operate only at this aggregate level. Moreover, this aggregate mindset still exists, but it's only a tiny part of what analytical CRM is about. And many of the current best-of-breed analytical software tools should be able to make the transition.

The chapter also discusses the emergence of analytical components that may not be directly identifiable as analytical CRM. Rather, these components will perform background analytical tasks that work to enhance customer experiences.

## 5.2 Data aggregation

Businesses typically have much richer and more granular data about consumers than professional researchers. Often, they have little or no idea how to use these data. Analysis-savvy organizations may attempt to interpret these data, but often, they, too, analyze it at the aggregate level because disaggregation can be complicated. Looking at each and every customer, and considering an outcome (i.e., a one-to-one campaign) is outside the frame of reference of

many organizations. Even today, with the existence of zillions of megabytes of processing power in many corporations, is it commonplace to receive a letter from an insurance company wishing one a happy birthday or from one's bank suggesting a low-interest overdraft facility to cover those monthly presalary payment worry days?

Proactive, personal, one-to-one communication for many companies seems like just too much work. It is the essence of effective relationship building, however. Effective one-to-one communication needs to be more proactive and is almost wholly based on outcome prediction. Customers love proactivity. It makes them feel special. And we can be sure that unless customers have a problem or need, they will seldom instigate communication themselves—although that should be an objective of CRM, of course.

Another point is that outcomes from communication may not result in short-term tactical revenue maximization, but they will almost certainly result in a lifetime relationship with a customer. The keys to success are analytics and applied imagination—tricky stuff.

During World War II a team was created in Bletchley Park in Hertfordshire, England, and assigned the task of breaking German ciphers used in communications between the German armed forces and Command HQ (or between Hitler and his field generals). The brilliant British mathematician Alan Turing applied concepts that he had been developing in peacetime to this task. Specifically, he developed a machine that, rather than being hard-wired for one task, could be applied to several different tasks—computing outcomes as a result of being given a set of computational instructions. These early machines allowed the mathematicians to test assumptions very rapidly by altering the instructions provided to these early computational machines.

Analytics, in short, allow us to guess better. We can, for example, guess what groups of consumers have in common and test the degree of sameness between them by using statistical techniques. We can also make assumptions about behavior and determine whether this behavior repeats itself or is common in a multiplicity of subjects. At one level, analytics are deductive and can prove or disprove things we suspected.

They can then go further. In a CRM context they can allow us to identify specific individuals who are likely to behave in ways that are common with other, high-spending customers. They can be used to define campaigns. They can be used to enhance specific one-to-one communications between vendor and customer. They can positively alter customer satisfaction levels if used at a proactive rather than a reactive level.

Typically, when an analyst, press article, or CRM guru begins talking about CRM, the conversation turns to the use of customer information to improve the customer's experience at a tactical revenue-generation level. Perhaps he or she talks about personalization, perhaps the focus is on marketing, or, at times, on service. In the end, however, we typically hear some variation of the following story:

Anthony Robinson is interested in buying a laptop computer. He goes to XYZ Computer's Web site, where he is able to configure a basic machine. He chooses a LAN connection over a built-in modem and a touch-pad over a mouse. At the end of the configuration, Anthony is happy with his laptop and begins to check out. The site recognizes that Anthony purchased neither a carrying case nor a memory upgrade for the laptop and recommends both. Anthony instantly recognizes that he failed to purchase a carrying case and adds it to his shopping cart. He is less certain about the memory upgrade and selects the link providing Anthony with additional information. By selecting the link, Anthony sees that the product is available at a "sale price" and elects to purchase the memory upgrade as well.

In this "analytical CRM" example, the company has increased the revenue associated with the sale of a laptop computer by several hundred dollars by applying the knowledge that purchases of laptop computers are frequently correlated with purchases of both memory upgrades and laptop accessories. From a computational standpoint, what has happened is moderately complex. Using archived data, analytical techniques such as regression analysis have been run to identify products that are typically sold together. When a trigger event (e.g., the purchase of a laptop) occurs, the correlations are invoked to make a proactive recommendation regarding additional purchases that might be made.

Without question, this type of analysis adds discernible value to the company. Assuming a price of \$2,000 for the laptop and \$300 for the accessories, revenues from this transaction were boosted 15 percent. If we project this incremental revenue across all online transactions and consider the relatively low overhead of this analysis, it is easy to accept the real return on investment of this analytical CRM example. Upon further reflection, however, it is also easy to see that, from an interpersonal perspective, this is the online equivalent of a McDonald's counterperson asking a customer if he or she wants fries with the Big Mac. In short, what passes for analytical CRM does not deduce or help with human reasoning; rather, it's simply a ploy to enhance tactical revenue generation opportunities—hardly cipher breaking.

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Up to this point, we've talked a lot about the various types of CRM, but at the core, I hope one thing is evident. CRM should be all about using analytical and heuristic techniques to better serve customers through better, more focused, and more personal communications. In some cases this might mean providing companies with the ability to quickly and completely respond to electronic inquiries. In other cases, it might mean personalizing the Internet experience in order to improve "brand stickiness" (a marketing research/management consulting term to describe a consumer's propensity to continue purchasing from a particular company as a result of brand loyalty).

## 5.3 A history lesson

Now for another bit of history. As we indicated in Chapter 3, many CRM concepts have their roots in academia. Nowhere is this more true than in analytical CRM. It can be argued that analytical CRM goes back to a time when there was no World Wide Web, no e-mail, no call-center applications, and, in fact, no PCs. In the late 1960s, Norman H. Nie, C. Hadlai (Tex) Hull, and Dale Bent, three Stanford University graduate students, developed a statistical software system at Stanford University. In 1968, they incorporated a company called SPSS, Inc.,<sup>1</sup> and analytical CRM was born. To be certain, they knew nothing of CRM. As an area of concentration, customer relationship management was decades away.

SPSS (which originally stood for "statistical package for the social sciences") was, as its name implied, an application designed to conduct statistical analysis for the social sciences. Economics, psychology, and sociology research benefited enormously as researchers (or, more likely, research assistants) keyed in data on mainframe cards (to this day, "cards" is still a term frequently used in marketing research to describe the total number of columns in a data set) and used mainframes to analyze the data. Academic institutions across the world began installing the software.

In 1976, SPSS received its first major competition, SAS (which originally stood for "statistical analysis system"). SAS, like SPSS, was used for scientific and medical research. Also like SPSS, it was a card-based, mainframe solution. By the early 1980s there were few if any universities that didn't have one or both products installed.

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1. SPSS Web site, [www.spss.com](http://www.spss.com).



In the early 1980s these products began the metamorphosis that would eventually lead them to become the first CRM applications. This metamorphosis began in response to two major trends: the PC computing revolution and the establishment of a number of private but academically influenced industries, including fast-moving consumer goods and pharmaceuticals.

As Apple first introduced the personal computer and IBM standardized it, three important effects occurred in the statistical analysis software industry:

1. Physical cards were no longer necessary for data entry.
2. There was a resulting demand for more portable statistical analysis solutions.
3. This demand caused a number of new competitors (e.g., Minitab, MYSTAT, and STATGRAPHICS) to emerge. Incumbent companies responded by releasing PC versions of their products as well.

As an interesting aside in relation to Apple Computer that is marginally relevant to this chapter, rumor has it that the company was named and its logo created in honor of Alan Turing. Turing committed suicide by consuming an apple injected with cyanide.

An equally important, interdependent trend also started from a business consideration. During the 1970s academics who pioneered the use of analytical software (and, of course, those research assistants who were doing most of the work anyway) migrated from their cloistered halls to private industry. They pioneered the use of the software in a number of diverse industries, including market research, pharmaceutical companies, and economic think-tanks. With them, they took their knowledge of statistics and the analysis tools that they had familiarized themselves with in academia. When combined with the lower cost of computing that the PC enabled relative to a mainframe, statistical analysis solutions were able to migrate with them.

These solutions were used in myriad industries; however, the roots of the software industry were still evident. Data collection tended to follow a method, a scientific method to be exact. There are five discrete steps to traditional data measurement: design, implementation, analysis, conclusion, and revision. Each step is discrete, and the scientific method is cyclic (rather than perpetual). As a rule, data sources and conclusions tended to remain contained within the data-collection model. Then two new, major trends swept the computing world: Bar codes became the predominant means of controlling retail inventory and client/server architectures expanded the capabilities of statistical solutions.

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Perhaps you can recall when it first happened. You were at the grocery store and, instead of punching in the prices for your milk and eggs, the check-out operative used a bar-code scanner to ring up your purchase. You probably guessed the data revolution that was going on behind the scenes. The use of barcodes within the retail environment was predominantly driven by a desire to reduce the overhead associated with inventory management. By electronically tracking inbound inventory and outbound sales, retailers were able to realize several key benefits (e.g., lower safety stock levels, releasing working capital, and reducing administrative overhead associated with inventory management). When automated reordering procedures were added, these benefits were further enhanced. In addition, there was a remarkable side effect. Vast quantities of information began to be collected. Not only did this information pertain to products, but information about time of day was recorded as well.

Meanwhile, client/server architectures further expanded the computing power of PCs. Computationally expensive tasks could now be relegated to servers while enhanced interfaces provided by PCs made software easy to work with. Statistical packages benefited greatly. By analyzing the stores of data, several leading-edge companies were able to draw inferences about their customers' behavior. They began combining this information with outside information (e.g., weather, product placement) to create "data warehouses" and started analyzing them with the statistical analysis solutions (in a process called "data mining"). The results were clothing color selections that reflected the demographic makeup of the surrounding community, store product placements that reflected the weather forecasts, and products whose purchase rates were highly correlated being placed close together.

## 5.4 Wave I analytical CRM

Of course, the most recent computing revolution—namely, the advent of the Internet—has profoundly affected how we view customers. New sources of data have deluged companies' data repositories. Information about click patterns, shopping cart abandonment, page views, and unique visitors is commonly available, and companies are straining under the burden. According to Jupiter Media Metrix's Executive Survey, 45 percent of all companies currently collect more information than they can process effectively.<sup>2</sup> The Gartner Group identifies the number-one reason that CRM fails as "data are

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2. Jupiter Executive Survey, March 2000.

ignored.”<sup>3</sup> What we’ve primarily seen from businesses to date are the initial forays into CRM analytics with the focus on the aggregate.

So what’s wrong with Wave 1? In many respects this should already be familiar to you. As we have just finished the initial phase of the Internet in general (where startups that dominate look for new applications for the technology), the manifestations of Wave 1 CRM affect us all. Take the example (Figure 5.2) that I received in my e-mail:

Figure 5.2  
*Hedge fund e-mail.*

-----Original Message-----

From: Hedge Funds World

Sent: Saturday, September 22, 2001 11:08 AM

To: XXXXXXXX

Subject: How to profit from the hottest alternative investments

Dear XXXXXXXX

Hedge funds are hot. In a nervous investment environment, almost as much money flowed into hedge funds in the first quarter of 2001 as the whole of 2000.

The opportunities for you to profit from this exciting growth are immense!

Hedge Funds World Europe 2001  
12th-14th November 2001, Zurich  
<http://www.altinvest.org/hedgefundseuro2001>

At Hedge Funds World Europe 2001 you will learn how to successfully attract institutional, pension, fund and HNW investment and deliver absolute returns.

Discover how to successfully:

- \* Pick the right hedge fund run by the right individual
- \* Incorporate hedge funds into your portfolio for consistent maximum returns, from winning hedge fund strategies and styles
- \* Profit from private equity investments

Come and NETWORK with industry peers and LEARN from the SUCCESSES of key industry players. This is where business is done!

To see the conference programme and reserve your place right now, visit <http://www.altinvest.org/hedgefundseuro2001> - and be part of this exclusive industry-standard event.

If you do not wish to receive further updates by e-mail, please FORWARD this with "Unsubscribe" in the subject line to: [database.uk@terrapinn.com](mailto:database.uk@terrapinn.com) (Please allow 10 working days for processing).

3. Gartner Commentary, "Seven Key Reasons Why CRM Fails," COM-13-7628, S. Nelson and J. Kirkby, August 20, 2001.

Now, like most of you, I have no interest in European hedge funds. I have never requested information about said funds; I will not be attending this conference, and will not be recommending it to my friends. Regardless, I receive a solicitation from Hedge Funds World daily (and maintain no illusions as to whether the “unsubscribe” instructions work). As far as I can figure, I have been identified on some list of executives who work for or have affiliations with European companies. Since my e-mail doesn’t bounce back, I “must” still be employed and therefore ready and willing to throw my earnings at this investment opportunity. This is, believe it or not, a shining example of Wave 1 analytical CRM in action.

This is a good example of a simple, online marketing campaign that has evolved during this first wave of CRM. It is clear that some simple analysis did occur. In fact, I *do* work for a European company and, for the time being at least, I *am* gainfully employed. The identification efforts that Hedge Funds World made were accurate. By conducting this bit of preselection, it is likely that Hedge Funds World has increased response rates relative to blanket spam marketing (sending a list of names an unsolicited marketing message without regard to their interest or their qualification). This example also highlights the shortcomings of Wave 1 analytical CRM.

While vast amounts of data are collected, most analytical CRM solutions are not able to effectively integrate data from either legacy systems, with other CRM systems, or from campaign response files. The result is that the company is left with a number of software solutions that operate independently and do not communicate effectively with one another. This lack of communication, in turn, reduces the effectiveness of analysis by reducing the information that is available to analyze. To refer, once again, to the Hedge Funds World example, you might recall that I have never responded to the company. Regardless, I have consistently received solicitations for months, largely because it is almost as cheap to e-mail 50,000 “suspects” as to e-mail 5,000. Assuming that the company tracks the success of its marketing campaigns, then it is also abundantly clear that this reporting facility does not allow for my behavioral activity (namely, lack of response) to be incorporated into further marketing efforts.

While largely driven by the simplicity of the underlying data, it is worthy of note that analysis within this first wave has been generally quite simple (arithmetic averages, simple criteria selection for outbound marketing). Had Hedge Funds World effectively segmented its target audience, it might have noticed two important factors that would have eliminated me as a good target for these solicitations: I have two children (and therefore have better ways to

throw away my hard-earned money), and my online purchase behavior does not include the purchase of complex financial products through this medium. It is clear that none of the accepted segmenting techniques (e.g., cluster analysis, regression analysis, K-NN/CBR) was brought to bear when creating target lists. Why should Hedge Funds World care? It wants tactical sales maximization, not relationships.

It should be noted that analytical CRM is not focused exclusively on marketing campaign management. Reporting and personalization of Web content also were introduced. In the case of reporting, the statistical workbenches that had been so prevalent when CRM was merely data mining were applied to CRM data. These reports were used either as diagnosis tools or as a means to report performance to management. Areas of focus varied as greatly as the applications they supported. Click-stream analysis, shopping cart abandonment, cross-selling, and upselling (as per the Anthony Robinson example at the beginning of the chapter) were all common reporting areas. Reporting in customer interaction management applications, for instance, uses either homemade or embedded tools to report agent utilization levels, categorization accuracy, time to respond, and the like. These reports were at the end of the chain. They did not, in Wave 1, typically trigger an additional system response.

Personalization, likewise, was introduced and refined during the first wave of analytical CRM. The focus initially was on data filtering (e.g., I have a predilection for the “Oddly Enough” news category and, therefore, elect to have those news articles forwarded to my portal) and on profiling (e.g., my portal has recorded my postal code and, therefore, displays my local weather forecast accordingly). Once again, while these were important first steps toward analytical CRM, they were not advanced in terms of the analytical applications embedded within them. That would begin in Wave 2.

## **5.5 Wave 2 analytical CRM**

As brick-and-mortar companies increased their use of and presence on the Internet during the past several years, they have brought with them their knowledge of data mining and customer profiling. Not surprisingly, therefore, the demand on *analytical* CRM vendors has become greater. The use of the “analytical” qualifier is a bit amorphous as analytics have become more embedded in all CRM applications. In fact, with time, it is clear that analytical CRM will become less a category of CRM software and more a set of embedded processes. This will be examined subsequently (when we discuss Wave 3).

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What enables this second wave to take place is that customer data, once stored in multiple locations and systems, is in the beginning stages of amalgamation. Just as bar codes facilitated the first wave of data mining, the addition of real-time customer interactions via the Web is fueling the second. While the terms that govern this new data repository vary from customer data warehouse to CRM data marts, leading CRM vendors have recognized that domination of the CRM marketplace is predicated by control over customer data. Companies such as Siebel, Kana, and Oracle want to “own” the master customer files in order to control this strategically precious resource. It should be noted, however, that it is unclear whether a select few CRM vendors will come to dominate this area or if customer data warehouses will be revolutionized by incumbent data mining solutions such as IBM Data Miner, SAS, or SPSS. What is certain is that such customer data files allow analytical conclusions to be reached “just in time” with operational processes.

So what is this customer data warehouse? Simply, the customer data warehouse is an area where existing customer transactions, customer service incidents, demographics, and macroanalysis can be stored, accessed, and coordinated to ensure relevant, timely, and appropriate customer communications that in some way enhance the customer experience. While much of the information stored within it will likely come from internal sources, it is also likely that this information will be combined with external information as well (e.g., credit reports, credit card data).

Let’s not take this customer data warehouse as a replacement for existing customer data. As data mining specialists and their applications have evolved, they have become adept at pulling information from disparate systems. Not only will this trend continue, but since Internet media channels are being added alongside traditional ones, integration will continue to be pursued. As we outlined in Chapter 3, there are several ways that integration can be undertaken. Middleware integration, which is currently the cleanest and least labor-intensive way to connect disparate applications and legacy systems, will clearly play a more prominent role during the next several years. It is likely, however, that as standards emerge for the customer data warehouse, CRM applications of all sorts will rush to integrate as tightly as possible. This warehouse will, in fact, become a backbone of sorts.

The most direct effect that this customer data warehouse has on customer interactions with companies is that it enables more sophisticated techniques to be employed for analyzing customer data, interactions, and behavior. It is possible to combine information about Web site interactions with financial

demographics and geographic information. That said, we should not mistake complex analysis for good analysis. Take the following example:

A company notices that there is a high drop-off rate in shopping carts and decides to launch a “point of sale” promotion to encourage shopping-cart conversion. The company is considering several gifts as a part of this promotion: a minidisk player, frequent flier miles, and free shipping. It sets a trial of each of the three gifts with a limited set of customers. The company finds that overall the minidisk player converts an additional 2.5 percent of customers; the frequent flier miles, an additional 3.5 percent; and the free shipping, an additional 3.0 percent.

Based on this information, the vice-president of marketing is prepared to offer frequent flier mileage as the incentive, when his trusted data miner, Vanessa McShelton, bursts into the room. She points out that even though frequent flier mileage was preferred overall, by segmenting the customer base, she determined that younger customers prefer the minidisk player and that free shipping is by far the most popular choice for people with families. “By targeting the incentive, we should be able to boost our overall conversion rate to 4.3 percent, a full 1.3 percent higher than if we simply offer the frequent flier miles.”

While it is a bit flippant, this example does highlight two important myths:

- *Myth 1: Analysis has to be complex.* What Ms. McShelton did was a very simple set of analyses by predetermined demographic segments. Although care must be taken to determine how these segments are defined, it is not an algorithm-intensive process. What it does require is a good bit of common sense and some business knowledge. Nonetheless, through very simple analysis Ms. McShelton was able to identify important information that would earn the company additional revenue.
- *Myth 2: Analysis and reporting are the same thing.* Based on a series of analyses, Ms. McShelton recommended a targeted marketing campaign. In essence, she is recommending that the analysis she completed be captured and then used on a pro forma basis to make targeted offers to inbound potential customers. What differentiates this from the simple reporting that companies were conducting in Wave 1 is that analysis is used in an ongoing basis to continue to create value for the

company and for customers. By contrast, most reports are used for data aggregation and performance reporting.

It should also be noted that this proactive offering is not possible without a customer data warehouse to identify the demographics of inbound customers. In fact, this points to the type of “one-to-one” marketing that data warehousing makes possible. Rather than focusing exclusively on product upgrading and cross-selling (although let’s maintain no illusions as to whether these forms of “marketing” will continue; the compunction to ask, “Do you want fries with that?” is just too strong), incentives that are specific to the individual can be offered.

The customer data warehouse has a number of other important effects. As more complex analysis becomes available, marketing campaigns become both more targeted and more complex. Referring back to our Hedge Funds World example, it is my great hope that that company might become more sophisticated. Hedge Funds World might combine response rates in future solicitations, incorporate third-party data to more directly target the market of potential candidates (and leave the rest of us poor saps alone), and even involve multiple communication channels within the same marketing campaign. Along with this enhanced targeting, the ability to track individual solicitations is also becoming increasingly apparent. The ability for firms to identify information gatekeepers is critical to understanding and manipulating viral marketing.

The benefits from the customer data warehouse are not limited to outbound marketing. Customer service applications are better able to serve their most valued customers, because they can easily identify them; sales force automation programs are able to incorporate both real-time prospect data and aggregate level analysis from this target group; and all customer-facing staff have a complete 360-degree view of the customer.

It should be noted that as analytics advance, however, there will be pockets that develop a specialized focus. Search engines have, for example, evolved from simple word matching at their core to allowing the user to use natural language to ask his or her question (e.g., Google or Ask Jeeves). Neither the user nor the implementer need understand the specifics of the artificial intelligence that makes the search engine work. Similarly, text categorization for inbound electronic customer service interaction has developed to the point where a select few vendors in this area use artificial intelligence to train and categorize inbound messages with a focus on reducing administrative burden.



In addition to the advanced analytics mentioned previously, it should be noted that there will be an increasing need for specific analytical applications that drive parts of the overall CRM effort. There are, however, a couple of important distinctions between the two. Primarily, embedded artificial intelligence will need to function in an almost invisible fashion. The advanced heuristics and techniques are designed to ease the burden on the implementing companies; thus, we will see continued development of applications that are powerful but have easy-to-use training tools and user interfaces. This will be doubly important, because statistics and data mining professionals are likely to be in high demand in the coming years. It takes very sophisticated knowledge to generate useful analysis.

To be truly adept at data mining, a professional needs skills in a number of areas. Not only does he or she need to be familiar with statistical techniques and tools, but the data miner must be able to apply industry logic, business acumen, and a healthy dose of common sense to the analysis as well. Incidentally, since this array of knowledge is difficult to maintain in one individual, it is extremely valuable if this person is a skilled communicator. While the other skills might be easy enough to come by, it can often be a challenge to find professionals who meet the common-sense criterion; therefore, it is easy enough to recognize that those with this confluence of skills will be in great demand as the second wave continues forward.

It should also be noted that during this second wave, personalization is evolving from data filters and profiling to include preference matching as well. For preference matching, an individual's preferences are recorded. These collections of preferences can then be compared with other individuals' preferences. Suggestions and recommendations can then be put forth.

For a great example of this personalization technique, go to Amazon.com. Amazon gives book and record purchasers the ability to enter their collection of books and/or CDs and then rate them. As a result, the company suggests titles that others who rated your book or CD favored as well. In essence it gives Amazon customers the ability to talk with a friend about books or music. In addition, Amazon provides individuals with the ability to publish lists of favorites. As users peruse books and CDs, they can see the top-ten lists of others who included the title. I realize that choosing Amazon as an example is somewhat risky. The company has been criticized for never running a profit; however, I believe that this company consistently leads the way when it comes to customer interaction management.

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## 5.6 Wave 3 analytical CRM

Now ask yourself: How would I like to be communicated with? How much effort do I want to spend on communicating with a company, and how many unsolicited irrelevant communications am I willing to tolerate? The advent of the customer data warehouse is only the first step. It will reduce irrelevant communication, but it will not eliminate it. It will aid with customer service, but it will not proactively solve issues before they become manifested. In order for companies to evolve beyond the customer data warehouse to truly customer-centric data modeling, a new set of service-level parameters must be established. Contact centers will need to be measured on the number of problems that are solved without an inbound telephone call or e-mail. Measured customer satisfaction will be incorporated into most customer interactions.

I invite you to take the customer experience quiz.

The situation: You order a computer online. As a part of the order you request a graphics accelerator card so that your kids can play video games. While you are sleeping soundly one night, there is a fire in Taipei that wipes out the manufacturing facility for the accelerator card.

Question 1: Would you prefer

- a. To be contacted by the online store where you purchased your computer and be offered an alternative model that will still allow your children to play Doom, or
- b. To inquire about your computer three weeks after it was due to be delivered and be told that you have the choice of waiting another two weeks, crediting your card, or accepting the alternative model that will still allow your children to play Doom?

Question 2: Which option is more likely to be offered today?

Question 3: When was the last time someone asked you about an online customer experience?

In order to truly delight customers, companies will need to shift how they handle customer communications, particularly those that occur over Internet media. Rather than serving as a repository of information, the customer data warehouse will take on a more proactive role. Data modeling will enable companies to understand customer behavior, to move individual customers

between segmentation categories in real time, and to target only appropriate customers.

With time, analytical CRM *per se* will disappear, but analysis will not. In the end, as with all analytics, there are only two kinds: the sort that you, an implementing company, need to know about and the sort that you don't. Companies need to understand what makes a customer valuable, they need to have knowledge of the audiences they are communicating with (or not communicating with), and they need to manage these relationships proactively.

As CRM develops, it is, in fact, the old data mining skills that are the most relevant—but used in different, more relevant ways. They are the same skills that caused the kids' cereals to be in that spot where your children always find them, and they are the skills that can be applied to these new forms of data to allow companies to thoroughly understand their online customers—each and every one of them individually.

In contrast, many of the analytical applications as they exist today will struggle in the future. Suite-based CRM applications, in particular, will struggle with analytical CRM. While they will maintain some analytical capabilities, they will increasingly support specific functions (e.g., marketing). As was indicated previously, data mining requires a confluence of expertise. Not only is deep statistical knowledge required, but industry knowledge and solid business acumen must also come to bear. Instead, those “best-of-breed” analytical applications that have roots in data mining will be used once again for that purpose. It should be pointed out, however, that there is one possible exception to this rule. The SAS Institute has recently pushed quite heavily into the CRM portal space by building on top of its analytical capabilities. SAS's deep understanding of customer behavior might enable this company to succeed more broadly than other suite-based CRM players.

Instead, much of what currently qualifies as analytical CRM will increasingly become embedded in such a way that it is invisible to the user company. Applications such as online language translation and text categorization are, indeed, far too complex for most people to understand. They do, however, have pragmatic applications for customer management. We may show little interest in how it is done, but a great deal of interest in both the ease of setup and the quality of the results. Software vendors will evolve product characteristics that ease setup and administration while maintaining high performance. The quality of the underlying analytics will determine who succeeds in each CRM category and will consistently embed analytical applications.

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As CRM systems strive to add functionality through analytics, the interoperability of applications will continue to provide value-added functionality for customers. During the early stages of CRM, integration focused primarily on side-to-side integration (of disparate CRM systems and legacy systems), but value-added customer experience is also driven by front-to-back integration. This front-to-back integration links these same CRM systems to ERP, supply chain, and workflow systems.

Imagine ordering a book from Amazon. Currently, you find the book you want, the site gives a status for the book (e.g., “this book is usually in stock”), and upon completion of the order you receive a somewhat amorphous service-level parameter regarding delivery time (“this book usually ships in seven to ten days”). Front-to-back integration will tighten transactions of this sort from the customer’s perspective. Instead of approximating the inventory, supply chain and inventory systems will report the book’s status in real time (“this book is due to be in stock in two days”). Instead of setting a broad parameter, logistics systems will state delivery times (“this book will be delivered on Tuesday, October 31”).

One thing is quite clear—analytical CRM is in its infancy. Too little data integration is currently available today for it to be of any practical use to either vendors or, more important, their customers. While vendors are addressing these shortcomings, there is still a long way to go. Only when the concept of analytics is seen as an enabling and embedded technology rather than an end in and of itself will CRM as a whole achieve its true potential.

## *Dot-Com CRM Red Herrings and Introducing CMR (and DCM)*

### **6.1 Dot-coms and LDOs**

While dot-coms—companies formed ostensibly to trade and to trade only on the Internet—have influenced the direction of CRM, their influence may not have been in the best interests of CRM. This chapter asserts that the direction CRM has taken (and the strategies that CRM vendors have pursued) may not suit the needs of organizations that have most to gain through the implementation of an appropriate CRM strategy—namely, established brick-and-mortar institutions that have a multinational presence and a complex hierarchical structure. I have chosen to call them LDOs (large distributed organizations).

The previous chapters were written from the perspective of such institutions and attempted to outline the directions CRM technology must take to be more appropriate to the needs of such companies. These companies, we must recognize, feed, clothe, and provide services to a significant percentage of the world's consumer population. In short, CRM, if it is to be effective, has to place effective, relevant, and timely communications at the heart of the organization.

Chapter 1 defined CRM in a communication-centric manner. It discussed how customers may perceive a need to have a relationship with certain types of institution and not others. Chapter 2 talked about the role of a connected contact center—connected to key internal constituencies within the organization in order to best serve the needs of customers. Chapter 3 discussed analyst views of CRM and argued against the technology-centric definitions and the ERP-replacing role that CRM has had bestowed upon it. Chapter 4

talked at length about the importance of integration in allowing effective relationship development to be pursued. The chapter also set the scene for portal-based tools. Chapter 5 continued this discussion by focusing on analytical CRM and the key role that it plays in enhancing communication processes.

The purpose of this chapter is to talk at greater length about the particular challenges faced by large, distributed consumer-focused organizations if they are to truly embrace some of the principles discussed in the foregoing chapters. The present chapter also highlights software vendor strategies that we consider inappropriate in this context (a more complete vendor analysis is conducted in Chapter 8). But it is worth stating here that CRM software vendor strategies have, to date, been defined to too great a degree by the requirements of the dot-coms.

Figure 6.1 is a comparison table that shows the relative importance of various aspects or attributes of CRM technology for dot-coms versus those of LDOs.

6.2 Dot-com–defined CRM software

Let’s start with the contentious stuff first. Let’s focus on how dot-com–defined software fails to provide the functionality required by large distributed organizations (LDOs). And it is an unfortunate fact that as global corporations attempt to embrace one-to-one relationship management software,

<div>Figure 6.1</div> <div>Dot-com CRM technology needs versus LDOs.</div>	<div>Dot-Com CRM Needs</div> <ul style="list-style-type: none"><li>• Single platform</li><li>• Suite CRM approach</li><li>• Minimal integration</li><li>• Limited need for platform portability</li><li>• Limited need for back-office hooks</li><li>• Web-centric CRM approach</li><li>• Single partition</li></ul>	<div>LDO Needs</div> <ul style="list-style-type: none"><li>• Multiple platforms</li><li>• Best-of-breed CRM tools</li><li>• Point product integration</li><li>• Platform portability across operating systems and databases</li><li>• Back-office and legacy integration</li><li>• Multichannel approach</li><li>• Multiple partitions to support divisions, brands, and multi-country operations</li></ul>
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they quickly find that it is far from fit for purpose for a globally distributed organization.

Just examining how dot-coms versus diversified conglomerates are constituted from a business point of view shows clearly how the challenges for enterprise-class software vendors are altogether greater. Dot-coms typically reside, initially at least, in one location. LDOs by contrast are typically in several locations in many countries with multiple business units, divisions, and brands. Some of these corporate units will be managed as unified entities, some will be autonomous, and the global HQ probably wants an operational view of everything.

Dot-coms probably have a single head of IT. LDOs are likely to have a global IT strategy committee that meets twice a year. There might be additional 30-member IT committees distributed around the organization—and, of course, each company will have its own.

But this does not get to the real reason why dot-coms have led CRM by the nose in the wrong direction. Rather, the dot-coms pioneered what has been called the “mass-market period” of CRM by software vendor Bluparc. Let’s look at what “mass-market CRM” was about, and then let’s look at how CRM is likely to evolve so that it becomes more relevant for more traditional companies and more traditional ways of doing business.

I like to talk about the mass-market period as one that was defined by the tell-sell approach to marketing. The dot-coms were very good at tell-selling (if not very good at actually selling products and services). The tell-sell is totally nonconsultative, and the first wave of dot-coms were, by definition, tell-sellers. After all, just think about it. By definition, the dot-coms defined themselves in very narrow ways and simply laid out their stalls on the Web. Wine, dog food, toys, luxury goods. Just about every category or subcategory of product had an associated dot-com, and the sales approach was consistent—“Here are my wares, here are the prices, now fill up your shopping basket and make your way to the electronic checkout.”

Ironically, the dot-coms themselves embraced mass-market communication approaches to promote their services. The 1999–2000 advertising boom in the United States was, to a significant degree, funded by startup dot-coms spending vast amounts on advertising. Much of this spending was simply to be heard above the clatter. LDOs jumped on the bandwagon by forming their own trading sites—often separated from the rest of the organization.

Suddenly the analysts started hovering over this activity and from their 10,000 foot view started defining new CRM ecosystems—new component

technologies that defined CRM. “Of course CRM is not just about call-centers, it’s about so much more,” they proclaimed. They were able to see specific processes relating to Web trading that could be identified and described and partitioned. As consumers engaged in a dot-com site they interacted with the site. “Hey, that’s collaboration—that’s collaborative CRM,” they said. And as they bought goods from the site, the dot-com could build up patterns of purchasing behavior that would allow cross-selling: analytical CRM.

Not so. Because missing from the picture, often, was any desire on the part of the customer to develop a “relationship” with the dot-com. After all, one can take only so much of tell-sell, cross-selling messages, and cumbersome, dehumanizing Web-based shopping environments.

## **6.3 LDO-focused CRM definitions**

These CRM extensions, these new facets of CRM, were as weak as the Web sites from which their definitions emanated. And they should die. Tactical, Web-centric definitions of CRM should be replaced. I’m laboring the point, I know, but CRM is inherently about appropriate and considered communication with customers to facilitate customer transactions and hopefully foster a long-term relationship for profitable gain.

If dot-coms are about tell-selling (i.e., laying out a stall of goods in the hope that someone, somewhere, will want to buy), what is the obverse? Well, consultative selling. Consultative selling is about eliciting a customer’s innate needs (or wants) prior to offering a product. Invariably, large companies are much better at satisfying customers’ custom needs than small dot-coms. Think of a large supermarket. In the supermarket will be literally thousands of items grouped conveniently into categories. However, the line items in each category are carefully selected based on historic customer purchasing behavior. Lines that are unsuccessful are dropped. Supermarkets expect certain marketing support before stocking new items or giving prominence to them. Therefore, the supermarket portfolio of product lines is constantly being refined and updated based on the actuality of consumer behavior.

But let’s look at an even more complex example—banking. Banks, particularly the larger ones, now offer a host of products in addition to savings and checking accounts. The most successful ones, such as First Direct in the United Kingdom, base their customer relationship building on the back of customer demographics such as income level, spending habits, and lifestyle factors. First Direct uses direct contact with the customer as an opportu-

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nity to be consultative—to offer customers products or services based on identified customer needs and a full understanding of customers' past relationship histories. This results in industry-leading customer retention and satisfaction.

However, the real key to First Direct's success is not just about data. It's about staff enablement. It's about providing customer-facing staff with the ability to provide immediate answers—for example, to approve loans or mortgage extensions on the telephone. It's about those staff being connected, knowledge enabled, and having decision-making capability. And for the large banks in particular, this depends very much on those staff members having access to the necessary information systems. Probably more than in any other industry, financial services companies have invested in technology to facilitate true customer relationship management. Not all are using it to best effect. However, those that are show what is possible and how CRM needs to be defined—not from the dot-com perspective (the lowest common denominator) but from the perspective of traditional businesses with large, complex customer bases.

## 6.4 CRM or CMR?

We'll look at the typical technology infrastructure of large companies a little further on, but now let's consider another issue. Let's consider the CRM acronym itself. This book talks a lot about CRM and CRM definitions. It would become awfully complicated if I were to drop the acronym, having used it throughout (up to Chapter 6 at least). So I'm not proposing to use anything else at this stage. However, my preference is increasingly for CMR—customer-managed relationships. This acronym gets much closer to the actuality of customer experience and also defocuses a tell-sell approach to so-called relationship building. It makes explicit the fact that the customer calls the shots and that, therefore, the vendor needs to have appropriate systems in place to help enhance and facilitate relationship building on the customer's terms.

Customer-managed relationships are inherently, implicitly, and by definition, consultative. Not collaborative (because collaboration implies equal status, which is not the case—customers have money that they may choose to spend, so they demand a reverential status in the relationship). In what ways are they consultative? Let's take an example from the real world (where the customer defines the relationship) and compare it with a dot-com example of relationship building.

Let's look at a typical real-world CMR example. I walk into a car showroom. By doing so I make clear that I have taken the time to make a journey to a car showroom and am almost certainly interested in one or more models in the showroom's range of vehicles. I have at least partially defined my need simply by entering the showroom. At the very least, I would expect a salesperson to approach me within (say) three minutes of entering the showroom. If no one approaches me I may well ask at reception if I might speak to someone about Model X. At the point of speaking to the salesperson I will proceed to define, very accurately, what my needs are in terms of a new vehicle. Analogous to this is the act of entering an e-commerce-enabled Web site.

Let's now focus on the technology. It is a well-proven fact that large companies have invested in many, many disparate information technology platforms. Acquisition typically brings more systems into play. Client/server departmental solutions never seem to be integrated fully with the rest of the business. I recently came across an example of a large corporation that was attempting to define a global software strategy only to find that one of its Pacific Rim subsidiaries always did its own thing just for the sake of, well, being different. The fact is that companies invest in a host of information systems—for a variety of reasons.

One way around the problem of asset management and control is to implement a single system management platform to allow the organization to get a view of its entire corporate computing resources—at least at a physical level. Systems and resource management applications notify IT staff via alerts about poor system performance, connectivity breakdown, and the like.

However, in a dot-com environment, typically the entire operational systems are based on one platform. Often the CRM applications that sit on these systems are designed for one operating system and one physical location. Many applications are hard-coded in C++ for a Windows NT or Windows 2000 environment.

The provision of hooks into other operational systems is possible with considerable services work, but the provision of adapters into standard messaging platforms does not happen, because they are not required. In larger companies these messaging and middleware services are essential in order to allow applications to share data.

Platform independence is key to large companies, which explains why CRM applications built in 100 percent Java are likely to be more appropriate for larger corporations. Java applications tend to be considerably less platform

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dependent, because they can be ported between the platforms' Java virtual machines. The use of the virtual machine allows most operating systems to be supported.

Applications that are built with logical server components—interconnected using standard messaging protocols—also fit better into a traditional distributed computing environment. Key architectural components can be replicated to enhance resilience and fault tolerance. In short, the greater the degree of application distribution, the less the likelihood of total system failure.

In a CRM context, the logical extension of this thinking is to distribute application functionality to where it is needed rather than to where it traditionally has resided. In a contact center context, operatives should be able to access application functionality from a standard Web browser, perhaps from home. However, to do so, they would also need fingertip access to all relevant customer-focused services to be able to provide value-added interactions that enhance customer satisfaction.

Let's go back to the point that was made earlier, regarding mass-market CRM versus this newly emerging world of consultative CRM (i.e., CRM that is molded just in time to suit an individual customer's need). What other changes are happening within large companies that point to this eventuality?

The most obvious is the move away from mass marketing toward micro-marketing. Large companies, companies that invest heavily in brand building using mass-marketing techniques, have been changing the way they spend money. There has been a strong move away from traditional media, as the media fragment. Where, in the past, media were consistent and predictable, now media are inconsistent and less predictable.

What does this mean from a technology point of view? It almost certainly means that businesses, particularly large ones, will start building their own communications media—across systems and to key audiences that access such systems. And there will be huge technology implications. In short, sales and marketing systems will attach themselves to current CRM systems. More scarily, marketing and sales systems will define CRM to a much greater degree than in the past. This will have a large impact on the relative importance of CRM software vendors. CRM vendors with strong marketing credentials will play more strongly in the market.

## 6.5 A move from mass marketing?

The Gartner Group has undertaken some interesting work in this area; it describes a general move by large corporations away from mass marketing toward direct marketing and, ultimately, toward marketing processes that heavily overlap with CRM processes. And there lies the irony. The vain attempts by a broad swath of dot-coms to use mass media to strengthen interest in their services was symptomatic of the demise of mass media. Large companies are making less and less use of mass marketing, and more and more use of media that encourage customer interaction. Therefore, those processes that foster effective, value-adding interaction will come to define CRM much more, in the future.

Let me illustrate this point by an example. I came across a situation recently in which a major, global marketing services company was briefed to write a communications strategy document on behalf of a major consumer technology group. This client company had operations in just about every major economy on the planet and was (and is) a major advertiser. The company spends the equivalent of a small country's GDP on advertising support. However, the company, on its own admission, was failing to deliver in terms of customer satisfaction and brand-performance metrics.

A program of market research confirmed to the company what it had suspected—that it was failing to communicate appropriately to a whole series of communities. Employees were not being kept informed about new product releases. Customer support functions were unable to do their jobs effectively, because they were simply not up to speed and had insufficient access to critical information. Getting crucial information from the plethora of company magazines, brochures, and Web sites was almost impossible. In its own right the company was a major global publisher—but a very poor communicator.

This company, at the most senior level, saw that vast amounts of telling did not necessarily correspond to a huge amount of listening. Therefore, the company embraced a program designed to replace one-way communications (telling) with two-way communications. For a company with several hundreds of thousands of employees worldwide, that is a vast undertaking.

Getting such an undertaking right depends in large part on taking things iteratively. This involves ensuring that components are put in place that result in positive change and rapid return on investment. The company has chosen to make the maximum use of its customer support resources by allowing employees to gain access to rich reserves of knowledge via an e-mail delivery

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channel. Employees are to be given an opportunity to pose questions, using e-mail, and to get an answer, via e-mail. Therefore, the first stage of improving communications is to open up the company's own knowledge to its own people, using the communication method they, increasingly, prefer. A huge first step—but one that is doable given the central nature of corporate data repositories and the global distribution of employees with e-mail boxes or Web browsers.

This combination of centrality and ubiquity is a key marker of the new CRM that is beginning to emerge in large companies. It recognizes that rather than there being simply two parties to a transaction and CRM processes supporting that transaction, there are often many interplaying parties playing several roles asynchronously. In other words, it can be complicated. However, invariably the parties are human and they need to be brought together via effective communication and information flows.

## **6.6 The new marketing?**

What CRM definitions have, to date, overlooked is the fact that the information flows are all intricately linked to processes that ultimately have an impact on customer satisfaction and, therefore, fall logically into the marketing space. The element of consideration in our definition makes CRM the “new marketing.”

A new marketing culture is certainly emerging in large companies, as evidenced by the consumer technology company referenced earlier. Large marketing services companies that service the marketing and communications needs of global companies have become aware that CRM, or an enhanced definition of CRM, will replace what came before. Instead of being an assembly of analytics, sales force automation, and call-center and collaboration tools, CRM could potentially replace traditional mass marketing and all current definitions of customer-centric systems.

The CRM vendor community will change as well. Chapter 5 discussed how we are seeing the development of CRM portal technologies. Front-office portals will emerge to offer functionality currently associated with point-product solutions. The traditional domain of third-party marketing services organizations of campaigning and response management will be eroded. We will see more and more closed-loop marketing CRM toolkits incorporating the ability to dispatch and monitor the performance of direct marketing campaigns and electronic communications channel campaigns. Remote Web updating tools will emerge to allow specific pages to be delivered to different

types of campaign responders. Campaigns will be tested and sampling techniques introduced to test offers, and analytical tools will get more and more powerful, allowing intelligent campaign planning and just-in-time response metrics.

Chapter 7 argues that this new CRM, embracing mass media—replacing CRM, will not stop there. Planning and control functions will be featured more heavily. Traditional brand management functions will be absorbed into the CRM frame of reference as well. However, it is worth making the point in the context of this section that for large companies CRM is increasingly extending itself into the marketing domain. The consequence is that CRM is likely to be allotted much larger budget allocations and much greater strategic status within the organization.

## **6.7 Technology consequences?**

What are the technology consequences of this all-encapsulating CRM likely to be? And how will large companies redefine themselves to cope?

The first likely consequence will be the end of the function known as “customer support.” CRM is overtly focused on communications with customers and extracting maximum lifetime value from those customers once they are secured. Therefore, supporting the customer and ensuring consistently high levels of customer experience is a key requirement for customer retention (and CRM). Consequently, support functions cannot inhabit an island separated from other key disciplines of the business. Similarly, marketing messages aimed at these retained customers cannot be generated in isolation and without knowledge of the customer’s current status or satisfaction and loyalty level (I’ll come back to the distinction between satisfaction and loyalty in a moment). Messaging and timing of marketing messages must be appropriate. Cross-selling ancillary goods or services may be perceived as an element of customer support processes; after all, no party should be in doubt that the relationship exists only so that money can change hands—resulting in utility for both parties. An effective CRM strategy, in other words, requires customer orientation across business disciplines and a holistic approach to customer management.

But let’s return to the concept of customer satisfaction and discuss the role it, and the measurement of it, plays in best-practice CRM. Customer satisfaction studies conducted by market research agencies often produce results

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that indicate that across the sample of customers only a small percentage—maybe 4 or 5 percent—is dissatisfied. However, customer churn rates are often much higher than this. When the same base of customers is presented with a need to buy at some date in the future, 20 or 30 percent may decide to take their business elsewhere.

The conclusion we can make is that customer satisfaction (or dissatisfaction) is a relatively blunt instrument for determining customers' loyalty to a brand.

According to market research agency Millward Brown, it is often the case that the so-called correlation between customer satisfaction and brand loyalty is false. Brand loyalty, rather, has more to do with the nature and intensity of the relationship itself. Uninvolved, distant customers will be less involved and less loyal than those who feel that the relationship is close and tangible.

Millward Brown uses the concept of customers "bonding" with the brand (often referred to as *brand equity*). Therefore, in attempting to measure the strength of a customer base, it's also important to consider the nature of the relationship and the nature of the brand itself. Such concepts, too, help CRM's domain move closer and closer to the traditional roles of brand and marketing management.

By measuring those two key factors—satisfaction and the strength of a brand's equity with a customer—a fuller picture can be built regarding the status of the customer base. I would argue that such metrics need to be considered and monitored in the development of CRM systems. (It also takes us back to the title of this chapter.) This concept is discussed at much greater length in Chapter 10.

Dot-coms, most of them, did not have established brands and, therefore, had negligible brand equity. Consequently, the CRM processes that they demanded and that were developed for them operated merely at the level of customer satisfaction. Large companies, on the other hand, do have brands and need to consider the nature of them and the role they play in customer loyalty.

How, therefore, do we set about putting brand-related customer attributes into CRM systems? A place to start is to consider customer segmentation on the basis of customer relationship with the brand. And it's all about creating customers who are anything but passive—it's about creating brand champions.

## 6.8 And DCM?

The latest acronym to do the rounds and attempt to topple CRM's position at the top of the list of annoying three letter acronyms is DCM (demand chain management). While the acronym is irritating, it is unlikely to catch on, which is some relief at least. However, I believe the concept is worth mentioning in the context of this chapter because at least it pays due regard to the importance of integration.

One of the reasons that CRM, as an acronym and discipline is being challenged perhaps relates to the fact that CRM has, in many organizations, failed to deliver. This was discussed earlier in the book.

Demand chain management (DCM) has been defined by companies such as Pivotal and market pundits such as Gary Lemke<sup>1</sup> as analogous to supply chain management. What does this mean?

Supply chain management (SCM) is about organizing the flow of product, or components, embracing such areas as materials control, inventory, and logistics. SCM systems and processes have been put in place to reduce waste and increase corporate efficiency. For most organizations that have pursued SCM, the results have been good. Best practice in terms of supply chain management is well understood, and many manufacturing companies have reaped the rewards.

It is well recognized that getting supply and inventory right is useful only if sustained demand for products is in place. Therefore, it follows that putting in place processes to ensure sustained and relevant demand will result in substantial improvements in corporate performance.

As Gary Lemke puts it, "So what is the difference between DCM and CRM?" Personally, I like the term demand chain management because it highlights two elements that CRM underplays: integration with the overall business (back office/front office), and a broader and more business-oriented emphasis on customer demand. I must say, I agree. I'm just not sure that the new acronym helps or that CRM should not be all that he proposes DCM should be.

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1. G. Lemke, "Demand Chain Management, The New CRM," *Customer Support Management Magazine*, September 2001.

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For CRM to succeed it has to embrace all parts of the organization and all business processes. Integration is utterly key. But demand chain management is not all that CRM has to focus its attention on. It is very possible for an organization to have sustained and relevant demand and relevant supply to satisfy demand, but it still can fail. Why? Because it employs customer-facing staff who are insufficiently responsive to customer needs to ensure that demand is satisfied in an appropriate and timely manner.

Implicit in the DCM definition, however, is something I very much like. It's the point relating to sustainability of demand. As we know, it tends to be very tricky and very expensive to acquire new customers through traditional mass marketing. Implicit in DCM definitions is this idea of sustaining demand by ensuring that customers stick around and continue the relationship. Perhaps CRM, as an acronym, is a bit woolly in the respect that it fails to make overt reference to the need to sustain demand. Unquestionably, therefore, demand chain management is a key requirement of any set of implemented CRM processes.

DCM does resonate, however, in the context of CRM for large distributed organizations. If dot-coms have helped create a few CRM red herrings, DCM represents an opportunity to restore the balance of power to a degree. Managing a demand chain in a large corporation with several interlocking brands and several layers of customer relationship requires single-mindedness in terms of knowing and understanding the customer. Later, I introduce the idea of closed-loop marketing as an important CRM process. In the same manner, it is possible to actively manage demand only if marketing systems are predictable systems. At this time, demand is difficult to manage because so many marketing processes are so unpredictable (because they are focused on suspects and prospects and not on customers).

Elsewhere in this book we talk about introducing processes that allow CRM practitioners to have unique insight into the customer base, allowing the creation of so-called customer nests. The creation of these customer nests (see Chapter 10) will allow much greater predictability in terms of customer churn (it'll be low) and the impact of other nests in the company portfolio. For very large companies, keeping customer relationships granular in this manner makes the process of customer tracking through the organization much easier.

In fact, demand chain management is, to some extent, simply another way of describing the process of adding brand adherence measures into the CRM mix. Again, this is discussed in later chapters.

## **6.9 LDOs and CRM—The bottom line**

This chapter has said much about what CRM shouldn't be, from the perspective of a large distributed organization. Let me state what it should be. First, CRM is increasingly about integration, about systems feeding off each other, where such feeds enrich the organization's ability to know a customer better or to service his or her needs in a more appropriate way. To an extent this requires an LDO to understand the interplay between complementary brands and to put in place the processes (and platforms) to ensure that opportunities are maximized.

Increasingly, the clear glue that will unite operational systems will be SOAP and XML and standard messaging platforms. If applications can be assembled just in time for different communities of interest and can share common operational systems, the customer can have an enriched experience. However, integration for integration's sake should be avoided at all costs. The holy grail is about understanding what customers want from their brands and putting in place integration procedures to ensure that they are supported across touch-points. Portal technologies can also play a key part here where there is a human touch—a contact center or support center—involved in customer servicing processes.

There's more to it than that, of course. However, the only point I seek to make here is that LDOs face a process challenge, not a technology challenge, in implementing effective CRM. A CRM suite will, in all likelihood, not enrich the customer experience. However, if implemented in the context of a process review, as a point product in a wider CRM initiative, it might help. By the same token, other key point solutions are likely to play their parts as well. However, they need to be put in context and integrated where appropriate—where it makes business and customer sense.

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# *A Role for Marketing-Oriented CRM Technologies*

## **7.1 A change of control?**

Chapter 6 dropped some heavy hints that CRM needs to change to embrace certain functions that would traditionally have resided within the marketing department. This does not mean that marketing personnel will lose control; to date, however, the marketing function has not exercised control over CRM strategy. Recent research work conducted in the United Kingdom by the Chartered Institute of Marketing (CIM) highlights the fact that marketing professionals may not have the necessary credentials to own the CRM brief in the future, unless they change the way they do things.

The U.K. Chartered Institute of Marketing report, “Connected Economy—The Impact of E-Business on Marketing Marketers,” from the University of the West of England Business School concludes, “There is a yawning gap between the capabilities of new technologies and the realities of life for the modern marketing manager.” The report continues:

A fantasy just a decade ago, many new media are now part of the consumer’s day-to-day experience. But many senior marketers questioned for the study concurred that new technologies have not dramatically altered business practice. Theories of business change are largely ahead of what is happening on the ground, while much of the data now so easily accessible are rarely put to good use.

So how will change happen? What developments are likely to result in a merger between CRM and marketing disciplines?

The nature of business is changing. New information technologies allow customers much greater access to information. Customers and prospects can conduct a considerable amount of information gathering themselves. In a similar way, within companies, boundaries between departmental functions are blurring as information flows break down traditional demarcations. Marketing, sales, and customer support are all simply facets of the same function—engaging and retaining the customer. Indeed, it could be argued that one consequence of implementing a CRM strategy is that departments simply become different “flavors” of customer engagement. (Subsequently, I make the point that the marketing function is, as yet, relatively underserved by CRM technology, which has traditionally been primarily focused on support functions.)

The shift of power to customers means that marketing departments must be nimble to stay ahead, certainly in terms of anticipating customer needs (nothing new in that). Customer churn (or no customers at all) was one reason why so many dot-coms failed to survive. Marketers need to develop techniques to ensure that brand equity is established by putting in place tangible processes for building it (and brand champions within the customer base). However, in an economy increasingly dependent on customer transactions conducted on, or facilitated by, the Internet, marketers need to learn new skills.

Or, put another way, marketers need to embrace technologies that allow campaign spending to be justified. CRM is about accountability. If it embraces the marketing function, the opportunities for marketing personnel to depend merely on blunt customer satisfaction metrics or vague brand/campaign awareness measures will be much fewer.

## **7.2 The death of mass marketing—Fact or fiction?**

According to the Gartner Group, spending on CRM will overtake spending on traditional mass marketing by the middle of the first decade of the new century. The firm predicts that mass marketing will be all but dead by 2010. I’m not sure that I agree. If hordes of people continue to throng through Times Square in New York or Oxford Street in London, there will still be opportunities for advertisers to promote their brands using the simplest, most elementary technologies—billboards (even if the billboards by then are 10,000 feet wide LCD flat panels).

However, Gartner’s point is well taken. The role of mass marketing will certainly change as media become more and more fragmented. Cable televi-

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sion certainly reduced the franchise of the U.S. terrestrial television networks. In Europe, digital terrestrial television is having a similar impact on the historic dominance of a commercial television oligopoly. Digital television has also given huge numbers of families access to the Internet who could not have justified the cost of a personal computer.

Media fragmentation is a key reason why media giants are acquiring Internet content providers or are investing in new technologies that potentially provide a continued revenue stream when mass marketing does finally nose-dive (if it doesn't die).

Gartner has an interesting matrix that compares and contrasts mass media, direct marketing, and CRM.

Figure 7.1 shows how CRM differs from mass marketing and direct marketing for a number of attributes. To some extent it could be argued that CRM, as an ethos, should embrace direct marketing. Direct marketing, after all, is a tool designed to engage prospects and customers. It is, therefore, a communications mechanism designed to encourage interaction and engage-

Figure 7.1  
Gartner media  
matrix.

	Mass Marketing	Direct Marketing	CRM
<b>Business Objective</b>	Customer acquisition Corporate or product/service positioning	Prospecting Value maximization Retention	Customer satisfaction Value maximization Retention
<b>Strengths</b>	Efficient reach Well-suited to broad consumption	Targeted reach Some individualization Measurable	Effective reach Contextually individualized (and integrated with customer activities) Measurable
<b>Weaknesses</b>	Lacks targetability Difficult to measure Lack of interaction	Low depth of interaction Low customer satisfaction	High organizational requirements High involvement
<b>Infrastructure Requirements</b>	Little, if any	Analytic, segmentation, and measurement Some automation	Analytic/coordinated enterprisewide interaction capabilities Automated and increasingly real time
<b>Costs</b>	Large Incremental to operations	Controllable Incremental to operations	Large Complementary to operations
<b>Benefits</b>	Awareness and trial Image-based training	Trial, expansion, and renewal Contact-based branding	Experience-based branding Relationship and profitability

Source: Gartner Dataquest

ment and even transaction. However, as indicated in the chart, the role for CRM is somewhat different from the role for direct marketing. Direct marketing's objective is to create prospects. CRM operates at the level of improving customer satisfaction, according to Gartner.

I would disagree with that last point for reasons articulated in the previous chapter. I believe that CRM has both customer satisfaction and brand equity responsibilities. Only when customers are satisfied and highly involved with the brand will CRM be effective.

However, I am in total agreement with Gartner when they state that we are witnessing a move away from the four Ps of marketing toward the four Cs of CRM: content, context, collaboration, and community. But, I'd be inclined to replace the word "collaboration" with "championing" or something similar to convey the importance of a strong and appropriately positioned brand within the CRM mix.

So if mass marketing is going away, what is it going to be replaced with? Well, in my view it will not go away entirely. There has to be a role for advertising in building awareness so that relationships can start (and then be enhanced through CRM processes). Word of mouth and viral marketing techniques may be the primary method of spreading the message about great companies with excellent CRM processes—who knows? However, only where awareness exists can customers be given the opportunity to experience new brands and (hopefully) become champions of those brands.

## **7.3 The end of churn**

CRM's objective and business imperative is to cause near elimination of customer churn. In certain businesses customers stick around simply because exiting the relationship is too difficult. However, regulation is slowly banishing barriers to exit. Legislation in most European countries has now enabled consumers to switch banks much more easily than in the past. Previously, customers stuck with their banks because moving required automated bill payment instructions to be moved manually from the old bank to the new bank. However, banks have been forced to cooperate to house such automated bill payment details in shared databases so that customers can move freely without having to worry about the logistics. This ensures that the psychological barrier to bank switching has all but been removed.

Similarly, car warranties should not be voided in the future if (say) a non-Chrysler garage services a Chrysler vehicle. Now, the use of warranties as a way

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to stifle open competition for car servicing is illegal in many jurisdictions. This means that customers may choose to have their cars serviced either in franchises or by independent garages.

As the regulatory environment increases the amount of competition, artificial brand loyalty will be reduced. Therefore, loyalty will be gained only on the basis of service that results in some type of bond to, or engagement with, the brand. This, too, will cause the erosion of mass marketing as companies are forced to invest in systems that support good customer experiences and long-term involvement with the brand—at the expense of billboards and TV campaigns.

CRM will evolve to become a set of processes relating to brand involvement rather than simply service. As stated in other chapters, the systems will allow customers to define the nature of the relationship to a much greater extent. Proactivity will move from the brand owner to the customer. And remember, this is entirely appropriate, because companies that get CRM right will have customers who love the brand and will be happy to be proactive in establishing contact with the brand owner. Contact may be via a variety of channels—dedicated account representative, customer support organization, or a general sales office. Each channel should be equally able to handle, or at least route, the call. Each channel should have a perspective regarding the customer's historical relationship and should provide an appropriate level of service as a result of this knowledge.

## **7.4 A brave new world?**

It is certainly the case that channels of communication will multiply. Third-generation mobile technologies got off to a slow start because of the disastrous bidding war for licenses—particularly in Europe during the late 1990s. However, services are beginning to emerge. Videophone services based on 3G technology were recently launched in Japan. Handsets support new data-based services such as text and video chat. The always-on feature of 3G equipment means that mobile phone technology, given its pervasiveness and its ability to support peripatetic working patterns, will replace fixed-line telephones and personal computers as the primary communications access channels for business services. It may well be that 3G will kick off the enhanced interest in contact centers to invest in Voice over IP (VoIP) technologies.

This increasing use of asynchronous messaging and IP-based voice messaging technologies will transform the way we do business. Our lives will

become more asynchronously scheduled. We will expect our car to be booked in for a service when it suits us—preferably automatically. But we'll want to be able to control and override everything. Some intermediaries will die, others will become more important. Supermarkets will grow in importance because they are responsible for organizing our eating preference portfolios (shopping list). Also, supermarkets will become more and more like banks. Indeed, supermarkets will probably become banks.

Brand owners will make use of these intermediaries to influence our brand choices. The supermarkets will become the new mass media for packaged goods. But they will communicate to us at a microlevel; there is no other way, given the lines they stock and the number of preference bundles possible within their customer base.

Supermarkets and banks will assist us much more than in the past. Their assistance will become more and more indispensable. Banks that prove they can save us money will own more and more of our services, thereby maximizing the relationship they have with us. However, without question, certain bank brands will become lifestyle brands. Some will become aspirant brands, available only to those customers deemed appropriate by their brand managers.

Portals will become more and more important, serving as interfaces to the institutions we do business with. Intermediaries will develop some of them, and some will be developed by trusted organizations we do business with. We'll probably interface with four or five different portals on a regular basis—maybe three or four on a less frequent basis—increasingly by mobile phone browser. We will define the look and feel and content of the portal environment ourselves. Our phones will support downloadable applications, Web services that will be contained in Internet-based resource directories. In Japan, phones enabled with the Java programming language are already commonplace.

Portal content (or rather portal content “potential”) will be defined by our bank, supermarket, or lifestyle intermediary on the basis of knowledge they constantly glean from their aggregated customer bases and from key segments within those bases. Information feeds or application components will be assembled on an as-needed basis. Applications will increasingly be assembled using Web services toolkits and using open integration standards such as XML.

However, do not get the impression that what we are discussing here is a world in which everything happens—including all customer interaction—via

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a portal. Far from it. Human engagement will become more important. Chat will figure much more in our engagement. We'll have a host of chat areas that we visit, and we'll mix leisure, business, and customer/supplier chat—possibly even in a supplier portal. We'll be able to schedule demos or showroom visits or the services of a specialist to visit our homes—all through the portal. We'll look back at the days of SMS text messaging and think how primitive we once were.

Portals will be available to us via our mobile computing devices or home computers. We'll probably still be inclined to type into our home machines, but our phones will allow us more and voice messaging opportunities. Synchronous and asynchronous communication will be more mixed and blended than we are used to today. We'll also expect more rapid response to text messages. If contact centers become all-IP environments, traditional fixed-line analog call-centers will disappear, given the need to blend communication channels and messaging formats. Contact centers will make increasing use of digital (IP) voice recording systems to allow for audit trailing of voice interaction as well as text interaction. But text interaction will become more and more common. Text traffic will grow geometrically. CRM systems supporting the analysis and routing of text traffic will explode.

To support the myriad customer engagements and correspondence, customer service representatives will change. Customer support centers will have larger staff hierarchies reflecting the move toward customer support in CRM-oriented organizations. In all likelihood, we will all be exposed to both sides of customer relationship management. We'll probably work for organizations where, regardless of our seniority, we'll be measured on our direct involvement in customer engagement and management. Therefore, the customer support function will be spread throughout the organization, and CRM systems will be designed to oversee the smooth running of information flows.

## **7.5 The CRM here and now**

So much for futuristic visions, but what about now; what systems need to be put in place to ensure that CRM systems are more holistic and address customer engagement as well as retention through brand involvement?

Well, one look at the direct marketing industry shows that we have some way to go, but progress will be rapid. During the course of my work, I come into contact with many marketing services companies. They all indicate that almost simultaneously, during the past 12 months or so, clients have been starting to ask if they have the capability to conduct campaigns via e-mail.

Marketing’s move to the e-channel has begun, and it will result in the biggest shake-up in the marketing services industry that we have ever seen.

Until recently, tools designed to dispatch campaigns and monitor the success of those campaigns have been open loop. Soon, as a matter of course, we’ll see greater and greater use being made of closed-loop e-channel marketing systems designed to provide near-instant metrics relating to campaign success or failure. However, they won’t be campaigns as such. Instead, we’ll see greater use of analytics to drive communication designed to enhance brand engagement. Rather than these campaigns being tactical and sales promotional, communications will take place increasingly at an emotional level—more informational, more designed to uncover aspirations or emotional disconnect or altered motivations. Campaigns will be designed to discourage churn and to encourage dialog and engagement.

Already the demise of unsolicited outbound e-mail campaigns is almost complete. Unsolicited e-mails (or at least e-mails from organizations or individuals one doesn’t recognize) are almost instantly discarded by most of us. They are rarely opened. Increasingly they are deleted by sweeper software before they even make it to our in-boxes.

E-mails from organizations that we do have a relationship with, or to whom we have voluntarily supplied our e-mail addresses, are more highly regarded. We invariably read them and read them with interest. The more personalized they are, the more likely we are to read them. The more personalized a response we receive from them, the more likely we are to enter into a dialog.

## **7.6 Enter “qualitative direct marketing”**

To date, direct marketing has been quantitative in nature. Telemarketing is a good example of this. A list is selected, perhaps using an analytical CRM tool. Tools from such vendors as SAS or Business Objects will identify a group of customers that are highly correlated and potentially more likely to purchase a product. The list will be fed to an outbound telemarketing facility. Customers will then be called as part of a campaign. The degree of interest in the campaign will be noted by way of customer responses being categorized and customer histories updated.

Therefore, such campaigns work only at a quantitative level rather than at a qualitative level. Qualitative direct marketing is contextual and, therefore, more relevant. Traditional direct marketing is point-product based. Cam-

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paings are built on the premise that customers similar to a given customer bought this in the past. Therefore, this customer will be interested. No consideration is given to the appropriateness of time of day of the call, customers’ specific circumstances at the time of the call, or whether the customer might be more interested in another associated offer. Therefore, with direct marketing, context and qualitative considerations are ignored on the basis that the campaign will be effective at a quantitative level.

Best-practice CRM doesn’t work like that. All customers, remember, are current or potential champions. Churn is not permitted. A success rate of 20 percent in a campaign relates to 80 percent failure rate, with 80 percent of the customer base left unserved. In this context, direct marketing must work at a qualitative level. And there is no question that campaigns conducted using electronic channels work better at the qualitative level, because they allow the customer to be in greater control.

Direct marketing in a true CRM environment is considerably more consultative and totally revolutionary in its nature. The objective is never to tactically sell but always to maximize customer lifetime value. Therefore, the concept of “campaign” is replaced by a series of interaction opportunities that enhance the customer’s bond with the brand. Interaction opportunities can be initiated by the customer or by the vendor. Over time, as trust is built, interaction is typically initiated almost exclusively by the customer—with the exception of contact by the vendor overtly designed to enhance the customer relationship in some manner. The net result is that the customer does not view engagement by the vendor as intrusive and irritating. Instead, it becomes something to be valued and actively encouraged by the customer.

Indeed, it’s my contention that if vendor-initiated contact happens only when the vendor has identified an opportunity to spare the customer expense or to enhance the value of the relationship, that is a good working approach. Good CRM practitioners do not sell; they consult with their customers, and they always use contact as an opportunity to enhance the customer’s perceived value of the relationship—provided, of course, that they deem the relationship with the customer to be valuable.

Electronic communication with customers is valuable because it is considerably less intrusive and allows the customer the opportunity to respond asynchronously (i.e., when he or she chooses). Responses will be more deliberated and thoughtful when the customer can choose when and how to respond.

Similarly, customer-initiated contact via an electronic channel has obvious advantages. The customer can choose the level of involvement he or she

chooses from the vendor. The customer may simply choose to undertake some fact gathering or complete a Web form to initiate a call, instigate a chat session, or click a "call me" button. Therefore, the qualitative dimension of the interaction is the nature of the interaction itself with the customer defining the nature of need.

Supporting these channels requires investment in a series of systems that will be interrelated. Self-help functionality must be driven by knowledge systems that support simple, plain language queries. Why force a customer to understand concepts such as Boolean logic? Allowing the customer to indicate how appropriate suggested answers are by constantly allowing interaction and refining the information request is good practice. But it is a point worth making that knowledge systems that support these elementary principles are often best-of-breed technology. Players that operate in this space include companies such as Primus and Autonomy.

Another point should be made here. Often, CRM textbooks imply that customers who act as a drain on expensive forms of customer care channels should be marked as difficult or expensive when making lifetime value calculations. The drain they represent on the contact center or on account management staff is such that they may not be wanted for the long term.

There is no question that customers can be difficult. I remember one case quoted in the U.K. newspapers a few years ago in which a ticket clerk at a London railway station decided (as an act of customer care) to straighten a customer's tie. The customer took such offense that he took legal action against British Rail for assault (and lost). So one man's definition of customer care may not be another's.

Customers who are a drain on expensive forms of customer care can be categorized by using some simple techniques. Event-driven monitors can help. Alerts can be raised if a customer calls more than a certain number of times. Contact-center agents can also categorize customers on the basis of how genuine and fair they perceive the customer's complaint or problem to be.

In many instances, problem resolution can turn a customer from a complaining high-maintenance one into a profitable low-maintenance one. However, the key is to monitor and assess—not simply to assume that highly communicative customers are not worth having.

Overused channels also indicate that there are underused ones. Often, direct marketing communications miss the mark entirely at an informational level, such is the marketing department's lust for creativity. The same applies to informational e-mail, which can be too informational and not sufficiently

creative. Testing campaigns for succinctness and understandability is good practice because it helps relieve overburdened contact-center channels.

## 7.7 The human touch

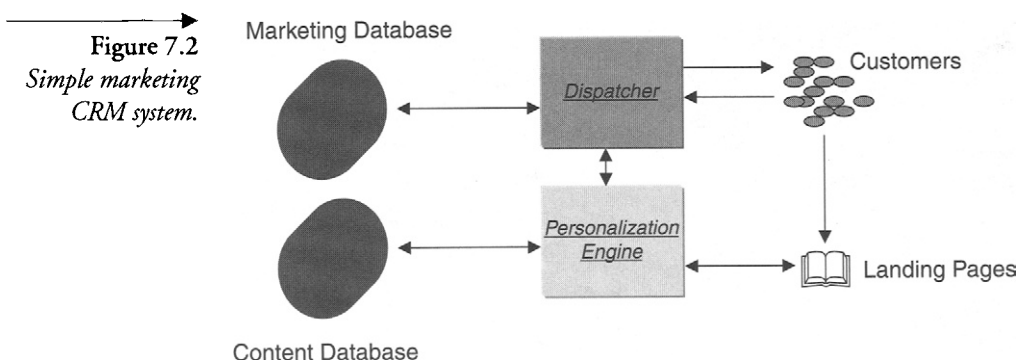
Other chapters in the book also talk at length about the importance of engaging in dialog where customers have the opportunity to engage with a person or where the interaction has a “human touch.”

It is worth debating here why customers request to speak directly to a person. Often, it is because only people have the ability to address specific needs that may fall outside the parameters of a predefined set of questions and answers. In addition, people provide a listening ear and can deal with (or at least listen to) a series of issues that may or not be related. People also have the perceived ability to take ownership of a problem (even if, often, they never actually address the problem).

When facilitated by machine, however, humans are much more effective. And it is in this specific area that marketing-oriented CRM has the greatest part to play. Up to this point, CRM has inadequately addressed these psychological factors—the behavioral aspects of customer engagement. It is in this area that CRM needs to come of age. By adopting a greater awareness of marketing processes, it will.

Figure 7.2 illustrates an arrangement whereby marketing campaigns can be dispatched and managed within a closed-loop environment. Marketing CRM systems are already beginning to emerge to support these processes.

Key to the process is the existence of a marketing database. For complex or distributed organizations this is unlikely to reside in one location. How-



ever, it makes sense to have a centralized marketing database, even if it is in the form of an aggregated data warehouse. The marketing database is likely to contain, in addition to existing customers, prospects and suspects. However, to all intents and purposes, all customers, prospects, and suspects will share a common characteristic in that they are relatively engaged with the brand. They have all given permission to be communicated with by the brand owner.

The marketing database will have a series of tools attached to it. The data will be structured in such a way that records can be filtered using a host of different parameters. Customer records should be tagged using XML descriptors. Record descriptors might include customer lifestyle characteristics, level of brand bonding, and degree of customer commitments as well as standard demographic characteristics. Of course, the level of detail in the descriptor will vary depending on the goods or services offered by the vendor. But proactivity will be needed to secure the data required to populate these descriptors, because just about all marketing activity will be driven by this marketing database.

The importance of “open” descriptors of documents or records cannot be overstated. Increasingly, XML (this topic is debated in more detail in Chapter 4) describes all documents or interactions between point CRM applications. Customer e-mails or VoIP sessions are described using XML. Therefore, all interaction units and aggregated data units (such as customer records) need to be described in this common format or in other open standards as they emerge.

Over time, the customer database will be supplemented on the basis of customer dialog. Customers not responding or not engaging in dialog will be highlighted by the database. Analytical tools will also be used to mine the database to generate dialog opportunities, all designed to enhance the degree of customer knowledge in the database.

Dialog opportunities (not campaigns, because the overt reason for dialog is unlikely to be sales related) will be administered by a dispatcher. The dispatcher will deliver content to the customer designed to elicit response. Response may be direct response via e-mail or via a microsite or landing page on the vendor’s main Web site. The customer’s browsing behavior on the site will be monitored, and specific content will be delivered depending on the customer’s need. The customer’s overt behavior and content requests will update and augment the customer’s profile on the marketing database.

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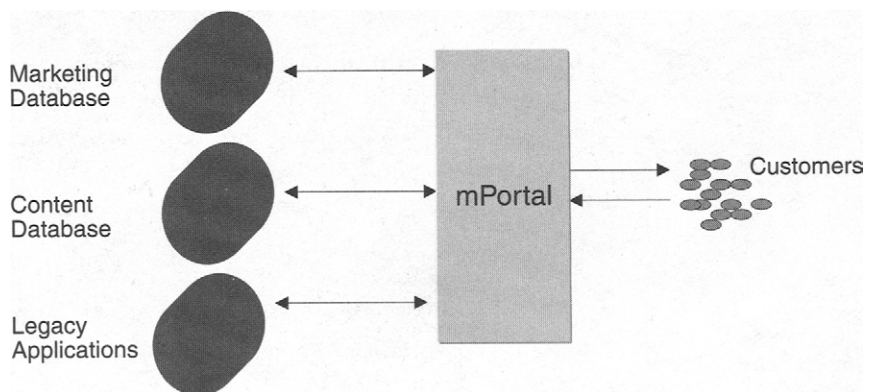
The more sophisticated such systems are, the more they make content specific to the customer and tailor content to specified customer requests. The more they encourage direct customer interaction, the better they serve the customer's and the vendor's needs. However, for many organizations, making content relevant, valuable, and personal is a significant challenge.

Such systems work well when the vendor fully understands the nature of the target audience and specific members of the target audience. This allows customer records to be highly structured and highly relevant. Both parties will value dialog opportunities. Where dialog is perceived by the customer to be both irrelevant and untimely, such systems are of little benefit to anyone.

In addition, supporting all communications channels—ensuring that that loop is entirely closed—is a considerable challenge. Customers are likely to call even if they have received an e-mail. Or they may e-mail when they have been called. Ensuring that access to the marketing database is available to all relevant staff is a challenge.

Figure 7.3 shows how adopting a portal environment for creating dialog opportunities and feeding appropriate content to customers can enhance the system shown in Figure 7.2. In time, we will see the front office or marketing CRM portal becoming more and more important as the primary means by which “customer knowledge workers” will communicate with customers. The Gartner Group goes a step further by stating that we will see the emergence of a new category of software that straddles some of the functionality of marketing systems and CRM systems. Such software will not only have the ability to engage customers in dialog but will also act as a strategic planning and brand management tool. Gartner refers to this type of software as marketing resource management (MRM).

**Figure 7.3**  
*Portal-based  
marketing  
CRM system.*



## 7.8 Portals (again)

Coincident with the development of MRM, we're also seeing the emergence of corporate portals and Web services. Customer knowledge workers will become more and more dependent on aggregation of customer data. Information about customers may well pervade the organization. The marketing database will be required to poll disparate databases. Meanwhile, third-party data sources will become more and more important, such as news feeds and content from product marketing teams, account management staff, and the contact center. The front-office portal will provide customer knowledge workers with fingertip control of these resources and will allow dialog opportunities to be constructed using all the necessary information sources. All personnel required to interface with the customer or to make decisions about the customer relationship will use such a portal.

The key thing to remember is that the front-office portal is operational, not informational. Where in the past CRM applications were used simply by certain nominated groups, the front-office portal, MRM system, or marketing CRM system, whatever we choose to call it, will drive the business. MRM systems will arrive at the point of sale, should the point of sale be in a retail establishment or on the Web. As well as supporting a variety of sales channels, it will support a variety of communications channels and myriad personnel types within the organization, who may be required, in some guise, to support the customer.

If this sounds like overkill, let me assure you that it is not. Centralized systems, accessible by all in the organization who need to access them via a browser interface, make sense. Why build disparate customer systems and be faced with myriad integration concerns? Instead, we'll see the Internet used as an integration and informational conduit, uniting the customer with all key constituencies within the vendor organization.

Therefore, both customers and vendors will become more dependent on portals. Portals will be the operational and informational toolsets for vendors to understand and communicate with customers and prospects. Customers will also access these same portals, to define their own information needs or to initiate dialog. The views will be different, but the data sets will be identical.

The key functions performed by the portal would include the following:

- Two-way interaction: outbound and response
  - Outbound communication planning
-



- Database analytics
- Response analytics
- Content management
- Personalization
- Collaboration
- Input to strategic planning and brand management

The relative importance of these features will vary, depending on the nature of the vendor's business and channel strategy. Channels can also be incorporated into the mix by the creation of portal-based extranets overtly designed to support the needs of channel partners.

## *Selecting Vendor Solutions*

### **8.1 The process conundrum**

This chapter looks in greater detail at CRM processes and how processes designed to enhance customer communications play such an important part in developing brand affinity. This chapter looks at some of the CRM software offerings and reaches some conclusions about the types of solutions best suited to CRM best practice. It also discusses some of the broad categories of CRM software.

A focus on processes is important because, at its core, CRM is not about software; it is about processes, some of which can be enhanced by judicious use of appropriate tools. Software that is implemented as a Band-Aid to speed up ineffective processes will have the effect of angering customers and causing disaffection. Rather, best-practice CRM is an opportunity to implement processes that result in substantial and radical change within the organization. Software needs to be implemented to support appropriate process selection.

Process orientation does not focus on particular corporate departments. Even though the marketing department, the customer service department, and the sales organization are political realities, thinking about processes as the exclusive domain of a particular department is counterproductive to understanding the enterprise's needs (never mind the customer's).

The result of internal process analysis should focus the company on customer experience. The company sets among its corporate objectives a goal—for example, to improve existing customer experience (most likely stated through a customer satisfaction/brand adherence metric). Metrics are established to track customer experience, and analysts are given the task of measuring experience. Analysts are, hopefully, enabled by a series of tools that

track behavioral patterns, customer engagement, and profitability. Remedial action is taken, of course, by communicating—communicating appropriately to enhance relationships. Communication, we must never forget, is central to our CRM definition.

Utopia, from a CRM perspective, is something like this. While investigating customer data, an analyst notes that satisfaction and bonding are typically much higher when the customers are relatively early in their life cycles versus later in the life cycle. A bell goes off in the analyst's head. She decides to have a look at the customer data mart to check the switch rates of well-established profitable customers with low propensities to interact. She notes that the switch rate within this group is particularly high. She contacts her colleague in marketing.

Her colleague in marketing recognizes the problem and notes that its resolution is in line with his objectives. He crafts a marketing campaign that targets the group identified by the analyst, offering these customers a “thank-you” service bundle. With rapid approvals in place, the campaign is launched, reduction of the switch rate in this group is achieved, and both brand valuation and lifetime valuation of the customer group are increased.

Great story, right? Now let's imagine the same scenario, but let's take away the analytical tools that our analyst had at her disposal. In other words, we'll move the CRM scenario back to the approximate point where most companies are today. Any company can have grandiose objectives, but the analyst may not have the necessary systems to ascertain performance against objectives. The issue, here, is not the lack of analytical tools. Rather it the lack of appropriate processes to allow analytical tools to identify the problem—and a lack of processes to make the tools available to the analyst in the first place.

This focus on software tools, by necessity, looks at some of the offerings and presents a biased view. However, it should present the reader with a useful backgrounder critique of a variety of CRM offerings in a series of different categories. By selecting key tools, organizations can create a kind of CRM utopia—or an unmitigated, underperforming CRM disaster. The purpose of the following is to suggest further investigation of certain types of CRM tools that we either consider to be helpful in defining CRM strategy or to be treated with caution. Further, the CRM software market is changing at a dramatic pace. The reader is recommended to seek out the latest information about all the companies and products mentioned here.

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## 8.2 Departmental and suite-based solutions

Under the auspices of purchasing a “departmental solution,” many corporations purchase software solutions to speed up rather than change internal processes. On the surface, this approach to CRM has a great deal of appeal. The departmental scale tends to create the illusion that the ticket price is lower for what are seen to be tactical, fix-it-now solutions. With time, the cost of purchasing solutions using what I’ll term “the departmental method” becomes quite high. The net result might be that an enterprise maintains a multitude of solutions that are disparate, often difficult to integrate, and possibly underused.

Let’s be clear about one point. As much as I long for an idealistic world in which all software selection is made not only with a company’s strategic objectives in mind, but with improvements in brand equity as the overriding goal, the current tight economy imposes certain realities. As my friends within the analyst community have been quick to point out, the economic downturn has caused companies to focus increasingly on financial measures—return on investment (ROI), in particular. Line managers need quick, financial justification for their purchasing decisions and look for low price points and operational cost savings to justify these purchases. In some respects this approach favors the departmental method. The individual price points for the departmental solutions are typically much lower; thus, financial justification is easier to find.

Seeking ROI is a reality, however. It can also be a good exercise when done correctly; still, we must also remember that brand has economic value as well. Senior management should insist that all ROI demonstrate an improvement in brand engagement that can be measured empirically. How does the line manager do this? He or she ties the resulting performance improvements to customer engagement or value. In general, meeting or exceeding customer expectations should always be the goal of CRM. It is the only thing that will add real value to the company and make CRM work.

Vendors of suite-based solutions such as Siebel, Oracle, and e.Piphany have recently taken advantage of this argument to push their prospects toward their solutions, saying that although the solutions are more expensive to implement initially, with time the cost savings that result from ease of integration of point components will offset the initial cost outlay. This is a seductive argument to be certain but one that should be viewed as specious upon closer investigation.

The first major problem that some companies run into when using a suite-based approach is that the purchase is often mandated as the solution by senior management. To be fair, the team is typically reacting to a perceived need for a slab of CRM; however, the focus should be on processes, not software. Suite-based solutions that are implemented without the necessary process work either speed up poor processes or, more likely, don't actually fit the needs of the implementing organization. Consequently, the soft costs associated with making the monolith fit the specific needs of the organization tend to outweigh any potential integration savings. I have also heard analysts indicate that as many as one in ten suite solutions are purchased but not implemented for just this reason.

The second major problem that companies run into is that often the functionality does not run deep enough at an individual module level for the company's needs. To go back to our earlier example, if the analytical tools were not deep enough to uncover the switching problem within the affluent, incumbent customer group, then the opportunity to proactively address the problem with a marketing campaign would have been lost.

The final problem is actually a bit ironic. Ease of integration of functional modules is often a key selling point. While integration savings can certainly be realized over poorly cobbled together departmental solutions or point products, the implementing company often faces a huge challenge in terms of integrating suites with legacy applications. As I've indicated throughout the book, so-called operational legacy systems are generally the lifeblood of most large enterprises. Given that most organizations are unable and unwilling to replace them, effective CRM requires knowledge of historical transactions and total customer value, among other things. In short, even a suite-based solution is incapable of becoming a total CRM backbone.

## **8.3 A fit-for-purpose approach**

So, if we aren't selecting departmental solutions and we aren't selecting suite-based solutions, what do we select? In general, the enterprise—particularly if it is large and distributed—will get the best value from enterprise-class, best-of-breed solutions. These solutions are those that excel in the functional benefits they provide within their class. For instance, Pegasystems provides an excellent, rules-based workflow tool, which can, where appropriate, provide great benefit to an organization that needs to automate complicated customer-focused processes (e.g., insurance claims). Similarly, RiskClick has a very robust collaborative tool for insurance intermediaries, ensuring seamless

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interworking between parties and an interaction audit trail. Although other vendors (Siebel, for instance) provide limited functionality in terms of workflow, they lack the functional depth of these best-of-breed players and the institutional knowledge of the vertical market. A company that needs capabilities in this area will, therefore, be better served by the deeper solution than by a generic one. In short, companies should think process, brand, and fitness for purpose first and then select the software.

What differentiates this approach from a departmental solution is that:

1. The enterprise has given forethought to how all the CRM pieces will integrate with one another.
2. The enterprise has also made plans to integrate legacy data where necessary.
3. The software selections are made to meet the needs of the entire division or enterprise. While consideration might be given to a particular region or department, it is not the overriding concern.
4. The software solution is capable of growing with the enterprise (it is scalable and distributable and has the proper failover routines).

## 8.4 The enterprise suite-based approach

One of the important caveats relating to a fit-for-purpose approach is that there *are* instances in which a suite-based software solution is appropriate. What is, once again, of primary importance is that the enterprise has a solid understanding of its customer-facing processes. If that investigation reveals that the company's customer objectives require broad, low-level enablement rather than functional depth, suite-based solutions will be appropriate to achieve them. In addition, all suite-based solutions available today originally came from a best-of-breed legacy or, in SAP's case, have best-of-breed added (through its acquisition of Top Tier's portal functionality). Some of these components (e.g., Siebel's sales force automation solution or SAP's portal functionality) remain strong and are worthy of consideration as individual components—but not necessarily strong enough to provide the infrastructure for all customer-focused systems.

The primary suite-based CRM solutions available today come from Siebel, Oracle, SAP, and PeopleSoft. In addition, there are several vendors that focus on the “e” side of CRM but still take a suite-based approach to that space as well. These vendors include Kana and e.Piphany. For a brief and admittedly

subjective view of the functional abilities of these software suites, please refer to Figure 8.1.

Without question, the largest suite-based solution vendor (in terms of both market presence and market capitalization) is Siebel. In essence, the company has grown from a sales force automation company in the early 1990s to a broad CRM vendor supplying functionality across a number of areas. Without question, Siebel has the broadest array of functionality; moreover, although most of the functionality is weaker than best-of-breed offerings in each functional area, Gartner believes that Siebel has the greatest depth of functionality when taken as a whole.<sup>1</sup> That said, it is important to realize that Gartner's conclusion is driven primarily by the fact that Siebel's broader array of functionality gives the company marginal functionality in more areas than the competition—more ticks in the box, if you will.

The Siebel suite does have several strong spots. The sales force automation and configuration suite achieves best-of-breed status and is highly functional. The analytical suite, while not excelling, is at least up to standards. In addition, implementation of the Siebel suite typically results in a single customer data mart. What the company has attained is a certain ubiquitous quality, which, when viewed in a certain light, passes for a CRM backbone

**Figure 8.1**  
CRM suite  
comparison table.

	Analytical	Call Center	e-marketing	e-service	Marketing	Portal	Sales Force Automation	Workflow
<b>Oracle</b>	M	W	W	W	W	M	W	
<b>PeopleSoft</b>	M	W	W	W	W	M	M	
<b>SAP</b>	M	W	M		M	S	W	
<b>Siebel</b>	M	W	W	W	W	M	S	W
<b>e.Piphany</b>	S		S	W	S	M	W	
<b>Kana</b>	M		M	M		M		

S = Strong Functionality  
M = Moderate Functionality  
W = Weak Functionality

1. *Functionality Comparison: Business-to-Business Large Enterprise CRM Suites*, Gartner Publication R-14-8300, November 6, 2001.

technology. Many companies, particularly in these tough economic times, have elected to purchase Siebel's solution because:

1. It seems to provide all the CRM functionality necessary.
2. The size of the vendor provides assurance that the solution will continue to receive support.

Several competitors, most notably SAP, have attacked the Siebel package for its poor integration capabilities. In one competitive instance, SAP claimed that its solution required approximately one-third the integration points that Siebel's offering required. While the customer data mart exists with the Siebel offering, it is difficult to connect this with back-end applications such as supply chain solutions.

In addition, the Siebel solution has a reputation for being somewhat difficult to implement. The suite's internal integration typically happens at a data level, and implementation typically is done by a "big five" consulting organization. The combination of these factors can make for an expensive consulting bill.

Siebel certainly has competition. In the past year, four out of the five remaining vendors mentioned previously have indicated that they will displace Siebel as the number-one vendor.

PeopleSoft and Oracle have each announced their desire to be king of the mountain as well. Each comes from an ERP legacy with mixed success competing against SAP in that market. PeopleSoft has been quite effective in leveraging its experience with its HR components in particular. The company uses portals to organize disparate information and has recently rewritten most of its code to be more compliant with XML/HTML. In light of the fact that Siebel has also been working on this issue, PeopleSoft has been making inroads with the press and analysts regarding whose Web application or thin client is best. Frankly, this argument is not only a bit esoteric, but it generally ignores the fact that PeopleSoft's CRM functionality is significantly less complete. While the vendor does provide passable sales force automation capabilities (by no means as functionally rich as Siebel's) and tie-ins with its HR functionality, the solution is, comparatively speaking, weak.

What PeopleSoft has that Siebel lacks is a reputation for being flexible and easy to work with. I should also point out that PeopleSoft's product suite has vastly improved during the past several years. While its functionality needs more depth, the company's desire to dominate the market will undoubtedly push it along in the next several years.



Larry Ellison, too, has made challenging statements about Siebel in the past (although his most recent set of challenges has been aimed more at SAP's CRM suite). Whomever the challenge is directed toward, Oracle would certainly like to be CRM's 500-pound gorilla. Oracle has pushed hard for market share, heavily discounting its CRM suite in the past. While the company has some large reference accounts, the general reaction of the community is "You get what you pay for." As with SAP and PeopleSoft, Oracle's legacy in enterprise software comes from the ERP side (with the Oracle manufacturing suite); consequently, the vendor understands the issues of the B2B market far more thoroughly than the B2C marketplace. Not surprisingly, Oracle's best modules are the product configuration set of its sales force automation suite and its field service module.

The one ERP legacy player that seems to be learning the fundamental differences between ERP and CRM is SAP. As with PeopleSoft and Oracle, SAP's chairman, Hasso Plattner, has indicated that SAP, not Siebel, will some day rule the CRM market. SAP's early forays into this market were clumsy at best. As many analyst companies were quick to point out, the suite not only lacked functionality, but the company seemed not to grasp the fundamentals of CRM. As a result, the installed base consisted primarily of a limited number of ERP customers. Luckily, the vendor recognized the problem. After significant restructuring, SAP's CRM operations have ostensibly been moved from Germany to the United States, additional CRM experience has been brought on board, and the product set has been significantly revised.

Today, SAP's CRM suite is making serious inroads into the CRM market. Although the product's functionality is not as broad as Siebel's, the depth of the functionality that is present has improved significantly. In addition, SAP has strongly embraced a portals approach to both CRM and to internal constituents. With embedded features such as "drag-and-drop" portal views of CRM data—internal and external—many within the IT community believe that SAP has a strong chance of winning the front-office portal space race. Two other points strongly favor this company as well.

A fundamental feature of SAP's ERP suite was the centralization of "master files." These files included (but are not limited to) a master vendor file, a master product file, *and* a master customer file. To be fair, the evolution of this master customer file into a customer data mart is not as simple as it might seem. However, for a large number of Fortune 500/FTSE 100 companies, SAP largely controls the customer data and, in the CRM world, the firm that controls the data controls the process.

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Of course, there is a dark side to this situation as well. SAP's ERP installed base is composed primarily of B2B companies. As a general but not absolute rule, B2C companies typically have more CRM need than B2B—for one thing, the customer burden in B2C is typically much greater. While sales of the SAP CRM suite increased tenfold in 2001 over sales in 2000, much of that success is still derived from SAP's installed ERP base. In order to become the 500-pound gorilla, SAP will need to appeal to companies outside that set as well.

Another fundamental strength of SAP is that the company has a strong knowledge of back-end integration. The mistakes of SAP's ERP past have led the vendor to take a much more reflective approach as to how integration is done. Not only are the APIs fully developed, but SAP claims to have focused on the number of integration points as well. As alluded to earlier, in a specification that SAP wrote for one of its recently acquired clients, IBM Global Leasing, the company claimed fully one-third the number of integration points necessary relative to Siebel, its direct competitor for the bid.

While I am very optimistic about SAP's CRM future, it is important to point out that this is *not* an exception to the fit-for-purpose approach espoused previously. SAP's product set has several gaps, most notably in e-service and workflow. In addition, several analysts have criticized the vendor's approach to its marketing suite. While I feel that some of the budgeting functionality offsets a few of the inherent weaknesses, it is important to evaluate aspects of this product carefully. That said, of all the suite-CRM players, SAP has the best chance of displacing Siebel.

On the periphery of the suite approaches are two companies that have taken a similar approach to the "e" aspect of CRM: Kana and e.Piphany. During the past 18 months, Kana has grown its company significantly through acquisition, only to then lay off approximately 40 percent of its workforce as a result of profitability concerns. The target of the initial acquisitions has been to increase the scope of the CRM offering, (which started life with e-service and e-marketing) to include analytics as well. In addition, the company has put a great deal of effort into its IBM relationship. The result is that for e-service and e-marketing, Kana is still a viable contender; exercise a degree of caution, however. While many analysts consider Kana to be tier one in these categories, the emphasis on acquisition, integration, and adoption of a more IBM-friendly environment (DB2, WebSphere, among others) has deemphasized product enhancements in these core suites. Consequently, for e-service the company has fallen behind smaller, more focused companies,

such as eGain. Similarly, for e-marketing, the e.Piphany suite provides much deeper functionality.

While Kana's CRM suite grew out of Kana Response, an e-service suite, e.Piphany grew out of an e-marketing focus. Its problems are, ironically, the mirror image of Kana's. It is having difficulty attaining profitability, and sales have been flagging. It should be pointed out, however, that of all the suite-based solutions, e.Piphany shows the greatest depth of functionality in terms of its analytics and marketing suites and is consistently seen, at least by the analyst community, to be a leader in e-marketing. Unfortunately, the company has not been able to provide this depth of functionality in other areas. The suite lacks significant functionality in sales force automation and customer service.

## **8.5 The analytical CRM vendors**

As I've indicated in previous chapters, analytical CRM is really myriad technologies. Applications for advanced analytics vary in application from Web site analysis to customer profitability analysis. Ironically, although analytics are integrated for operational purposes in a number of applications, they typically are missing from the one area in which companies need the most help—customer satisfaction and brand engagement measurement. Remember that we said that real CRM is about brand engagement and that brand valuation is primarily achieved by exceeding customer expectations? Now ask yourself when was the last time someone asked you whether your expectations as a customer had been met. That doesn't happen often, does it?

In part, it is virtually unheard of to include customer engagement analysis within CRM per se. Vendors such as CustomerSat.com and MarketTools have given companies the ability to conduct low-cost surveys (including customer satisfaction surveys); moreover, the "Webifying" of traditional marketing research packages such as SPSS allows companies to create and run surveys in house. Unfortunately, the very nature of the scientific process in market research can interfere with its effective use within CRM. Proper sampling typically assumes anonymity. While this is important for objectively reporting results in aggregate, it is inappropriate for one-to-one interactions.

Lets be clear. As is discussed in greater detail in Chapter 10, marketing research plays a pivotal role in CRM. It needs to drive the strategy for ongoing

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measurement of key customer-related metrics. However, it has to work in parallel with analytical CRM processes.

While Web-based survey companies hold a piece of the analytical CRM puzzle, an important component also lies with the traditional data mining companies as well. Given that the line between a statistical software package and a data mining software package is fuzzy at best, two vendors clearly dominate the upper tier of the data mining market: SAS and IBM. While each holds a similar market share, IBM tends to dominate in certain verticals (e.g., the banking and insurance sectors), where its mainframe implementations are also widely implemented. SAS, similarly, has a firm hold in other verticals (e.g., the retail sector).

As was discussed in Chapter 5, which focuses on analytics, the proper implementation of data mining techniques within the customer data mart is a critical component of effective CRM. After all, how can my credit card company offer me an interest holiday if it is not able to recognize customers with similar characteristics to mine? While both companies maintain a commanding data mining presence, only SAS has actively cultivated a CRM suite as well. During the past year, the company added a portal product to the front end of its mining capabilities and added some basic marketing and service functionality. Much of this functionality has a long way to go. Whereas SAP is arguably the largest holder of B2B customer data, SAS's large installed base within the B2C sector means that this company is well positioned to exploit the B2C sector's moves to embrace CRM tools.

One other vendor that is worth mentioning in this area is SPSS. Although this vendor lacks SAS's strong data mining background (admittedly, SPSS is certainly used for such purposes as well), the company has maintained a presence in CRM as both a statistical workbench and as a Web analytical tool (the latter through acquisition). In December 2001, SPSS leveraged this position to become a premier business partner with Siebel. While partnership with Siebel is far from a guarantee of success, some relatively strong statements accompanied the announcement from each company.

Within analytics, the other major category of vendors is the Web site analytical vendors. This sector is, by no means, independent of the previous two. As mentioned previously, SPSS has purchased functionality in this area. That said, many of the vendors in this space have remained relatively independent. Acquisition and consolidation of this segment of the analytics space are likely in the near term.

## 8.6 Marketing CRM systems

Determining where a marketing system begins and an analytic system ends is difficult. As mentioned, e.Piphany offers a strong solution that enables powerful customer profiling and analytics to generate outbound marketing opportunities. So is this an analytical solution or a marketing one? Over time, this distinction will get increasingly difficult, not only for marketing but for other types of CRM software as well. Increasingly complex heuristics and routines will take over complex manual operations.

That said, it is clear that the advent of CRM brought a number of interesting new vendors onto the scene whose primary focus is on identifying and attracting potential customers and better serving existing customers. Broadly speaking, these vendors' offerings can be classified into campaign management solutions and marketing resource management systems.

Campaign management systems are those that enable a company to architect and deliver marketing and sales campaigns to prospective customers. While vendors such as Responsys and Annuncio allow companies to craft e-marketing campaigns, other vendors such as DoubleClick and Engage offer Web-served mass-marketing tools.

By contrast, marketing management systems are an emerging set of systems that enables large companies to manage internal marketing communications, manage marketing processes, and, increasingly, conduct strategic planning. Gartner refers to this segment as the marketing resource management (MRM) segment of the CRM market. It remains to be seen who will become dominant in the MRM market, but it is almost certainly going to become an increasingly important part of the CRM market and one that the suite vendors have paid insufficient attention to, to date.

## 8.7 The customer service segment

One of the most heavily invested in yet underappreciated areas of interaction with the customer is customer service. This silo within the organization is most often seen as a cost center rather than a potential profit center, and consequently most of the software installed to meet these business processes tend to focus on cost reduction and productivity improvements.

Customer service applications tend to fall into three distinct categories: telephony systems such as ACDs, self-service Web applications, and e-channel response management systems (ERMS). It is important to note that vendors

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in each of these categories have been actively trying (to a large extent unsuccessfully) to blur the lines between these categories. The relative lack of success derives from the fact that very different skills and underlying algorithms are required to make successful solutions in each category.

Take, for example, the telephony sector. The goal of technologies in this area is to handle synchronous (or real-time) communications between customers and service organizations and route them through the system as quickly and efficiently as possible. Because the subject of the call is not known ahead of time, the solutions are focused on quickly assessing information and using it to distribute the inbound call to the correct agent. Nortel Networks, Genesys, and Avaya are three vendors in the telephony space that handle the telephony infrastructure well. Ironically, all three vendors have made forays into other areas in an attempt to cover other customer service channels as well. Nortel finally gave up the attempt when it elected to sell its investment to Amdocs. Genesys and Avaya also, in the context of providing universal queuing capabilities to their product, attempted to extend their telephony-based solutions into the Web and ERMS arena. These systems are both extremely simple and vastly inferior to the more robust ERMS products available.

Similarly, most ERMS vendors offer some form of self-service capability. Banter, for example, relies on the same underlying engine to handle both types of e-service. Since escalation can occur directly from the self-service channel to the ERMS, this approach has a great deal of appeal. Upon closer examination, however, one usually finds that vendors are strong in only one of these areas. Some of the most advanced self-service vendors, such as Autonomy or Ask Jeeves, rely on Bayesian or other advanced technologies to enable them to make correlations between Web content materials. However, such algorithms are inappropriate in the ERMS segment, and vendors utilizing such categorization components, consequently, have a relatively weak and inflexible product.

Within ERMS, the best known names are Kana, eGain, and Firepond (which acquired the Brightware suite). Kana Response was one of the first ERMS products available, and it maintains the dominant market share. In general, these ERMS products were first architected for the Web-based economy—the dot-coms. While each has taken significant steps to address such issues as multilingual capability, running multiple business units on a single system without each sharing the entirety of information is tricky to say the least. In addition, most of these ERMS vendors rely on manual composition of rules. A best-of-breed player in this space is U.K.-based Amacis, which uses IBM's powerful text analyzer (a WebSphere business component) for

incoming message categorization rather than Bayesian rule engines such as Autonomy's (which is much more useful in other application areas).

## **8.8 Sales force automation segment**

As mentioned earlier, sales force automation has been dominated, historically, by Siebel Systems. While other modules of the Siebel suite lack the full functionality that smaller, best-of-breed vendors provide, Siebel's sales force automation suite arguably provides the greatest breadth and depth of functionality. In addition to the tools that support the management of contacts, communications, schedules, and forecasts, the tool is adaptable to a multitude of selling environments as well. For example, selling environments that require a high degree of configuration can rely on a robust configuration management module. To be clear, the fact that PeopleSoft and Oracle want to dominate the CRM suite marketplace causes them to invest quite heavily in this area as well. PeopleSoft's sales force module has steadily been gaining ground on Siebel in recent years.

While Siebel might be the gold standard in terms of depth of functionality, it is not the most prevalent. That honor goes to ACT!, which focuses on the small to mid-tier business market. The suite provides far more limited functionality, focusing only on contact management, scheduling, and some limited forecasting. It becomes familiar to most salespeople at some point during their careers. In addition, several other Web-delivered (ASP) sales force automation tools such as Salesforce.com have been making inroads into the small and medium-sized enterprise base. The Salesforce.com solution provides more robust forecasting abilities than the mid-tier standard and is significantly easier to implement given the ASP model adopted.

## **8.9 Workflow vendors and other back-end systems**

Workflow is a category of software that is rarely viewed as being part of CRM. As with supply chain solutions and accounting systems, workflow is typically viewed by analysts, consultants, and companies as a back-end system. In some respects this is certainly true. Workflow predates CRM and has historically been implemented as a means of ensuring the flow of documents through an organization.

That said, the future of CRM cannot be drawn along traditional lines. While today's CRM might have origins in the call-center and the Internet, the

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true future of CRM lies in the realigning of business processes to meet the needs of customers. Therefore, workflow systems can play an important part in terms of structuring customer-centric processes. The following chapter discusses this in greater detail.

Management consulting companies such as Accenture, Price Waterhouse Coopers, and Deloitte & Touche long ago created the concept of “available to promise” (ATP) and “available to manufacture” (ATM).<sup>2</sup> These concepts were implemented by a limited number of manufacturers in order to reduce the amount of inventory (and, thus overhead) that had to be carried to meet customer demands. In order to execute ATP and ATM, the manufacturer must integrate its order-taking systems, supply chain systems, and back-end inventory systems.

The secondary benefit was, however, that “on-time delivery,” a metric that is common in B2B business but no less important to the average consumer, was dramatically improved. In addition, the manufacturers implementing this “best practice” were better able to predict when the delivery would occur.

Now imagine a scenario that is common to those of us who are “Internet buyers.” Several Internet sites sell books, CDs, electronic equipment, and household goods. Some have great marketing features to make book recommendations and suggest the latest brilliant discourse on certain topics, including CRM. Some provide an indication that a selected book “usually ships within 24 hours” and will “most likely arrive within five to ten days.”

Okay, what’s wrong with this scenario? The fact is that some of the most developed Internet retail portals have excellent tools to help with product selection, a great set of communities that a prospective customer can join, *but* they can’t actually tell you if a selection is in stock or when it will ship. Why not? Because front-end customer systems are not integrated with inventory and supply chain systems. However, Internet-enabled ATP is a likely development over the next few years.

Today, it is difficult to find an example of ATP in action on the Internet. The reason is that the integration between these disparate systems is too

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2. ATP—The company filling the order has complete visibility of the finished goods that are available to fill the order. The company is, therefore, able to exactly specify the time for delivery of those materials.

ATM—The company filling the order has complete visibility of the finished products in inventory and the goods in process that will be available to fill the order in time for shipment.



difficult and customer expectations do not warrant an investment in this area—although it is an area that Web services will almost certainly address.

The goal of brand-enhancing CRM is to allow customer expectations to be exceeded in these ways. This is achieved, in part, by best-practice organizations continually setting higher standards than the status quo. Should a few companies take the concept of ATP on board, expect to see the major supply chain (i2, Manugistics), ERP (Oracle, SAP, and Baan), and inventory management solutions (Pinnacle Automation) take measures to create demand chain management systems. These will be an adjunct to what we consider to be traditional CRM applications. The result will be a revolution in the way products are delivered—for the customer's benefit.

Similarly, workflow represents one of the most interesting areas for potential development in a CRM context. Many large organizations use workflow tools today. An automotive insurance company, for example, is likely to have some workflow systems in place to help ensure stability and reduce the administrative costs associated with processing a claim. Systems ensure that, from a systemic and process perspective, the paperwork flows through the individuals or departments necessary to complete a process. Workflow tools typically fall into either low-end categories (e.g., Visio), where processes can be diagrammed, or enterprise solutions (e.g., Pegasystems), where rules-based engines dictate the actual flow throughout an organization.

But what initiates these workflow systems? In some cases, such as a human resource action (e.g., termination of employment), the workflow is initiated because of an internal action. In the majority of cases, however, actual workflow initiation occurs as the result of an interaction between a customer and a company with whom the customer wants to do business. Many vendors are beginning to recognize this fact and are experimenting with CRM-enabled workflow systems. Several companies provide workflow systems for overt use in a CRM context.

Siebel, as usual, dabbles in this area by providing workflow functionality alongside its more mainstream CRM products. With a Visio-like interface, basic rules can be composed to help manage simple workflow. In short, the workflow itself is not particularly robust, but the integration between workflow and CRM is tighter.

By contrast, Pegasystems, the clear leader in terms of workflow functionality, is not typically thought of as a CRM vendor at all; however, this categorization is short-sighted. In addition to providing the leading edge of workflow functionality, Pega has added a basic ERMS system to its rules

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engine in order to manage the seamless flow of e-mail into the workflow process. Unfortunately, the functionality of the ERMS module is lacking, and integration into other channels of communication has not been developed.

Finally, an interesting workflow vendor comes from the integration space itself. IBM MQ Series, in addition to being a de facto standard for middleware in the large corporate space, has, over the past several years, explored ways that a messaging solution might be expanded to provide a higher order of functionality. The vendor has created several industry-standard packs (e.g., MQ Series Financial Services Edition) and several “horizontal” areas of specialization as well (e.g., MQ Workflow). While not specifically “CRM” in terms of the way the product is packaged, the full integration of workflow functionality with legacy data certainly has obvious CRM applications.

## 8.10 The middleware piece

Although much of this material was covered in Chapter 3 relative to the analyst’s view of CRM, a bit of recap is in order relative to middleware integration. Given that we espouse a best-of-breed approach to getting the most out of CRM initiatives, the largest problem that a company is likely to face is the integration of myriad parts. Most CRM software supports open APIs and a limited number of preset integration points, usually to large CRM vendors (such as Siebel or a major call-center vendor such as Nortel or Avaya). While this sort of integration is standard, companies increasingly look for an additional layer of integration to make the integration effort easier—and with less requirement for complex programming.

Middleware allows disparate legacy and CRM systems to communicate with one another. In essence, middleware creates a common communications layer for data between these disparate systems. Given the prominence and importance of much of the data stored in mainframe-based and client/server-based legacy systems, middleware is an important standard in most brick-and-mortar companies. Two middleware applications, IBM’s MQ Series and BEA’s MessageQ (which, in turn, has been upgraded to its Tuxedo application), dominate the middleware market.

Companies such as Vitria and Active are attempting to elevate middleware applications to include object-level integration in addition to data-level integration, thus elevating middleware into a de facto backbone. While moving from data orientation to object orientation might have some intrinsic benefits, many of the pieces that currently require integration are not of an object nature. In other words, data-level integration still works.

Not that there are no threats to the middleware market. In fact, the greatest threat to middleware ironically comes not from the software market but from the industry in general. The same factors that drive individual companies to implement middleware integration, when taken on an industry level, represent a monstrous amount of landed costs. To counter these costs, several industries have begun efforts to standardize interoperability. In January 2002, for example, Intel announced at the U.S. National Retail Federation's annual show a consortium of vendors and retailers that will attempt to standardize hardware and software profiles across the retail industry. This standardization, if visions are to be believed, includes not only traditional software categories such as inventory management and supply chain but will embrace CRM as well. In other words, there will be less need for middleware integration because all of the parts will, presumably, fit together.

Web services standards, once they emerge and are fully ratified, will also have an impact—generally and increasingly in specific industries.

The CRM software market is evolving at a rapid pace. The relative importance of its component parts is changing, and jockeying for position never ceases. But whatever happens, software solutions should never be chosen by rote.

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## *Defining CRM Processes*

### **9.1 Shoddy standards and CRM**

This chapter focuses on specific processes that are critical for true, unified CRM to happen. CRM often gets a bad press because it has been implemented without due regard to such processes. It's hardly surprising. It's my contention that most CRM implementations are not about improving the customer experience but are more about paying lip service to customer-centric processes. That's the conclusion I have come to given the shoddy standards I encounter when I am contacted by or make contact with a call-center, for example. I am not alone in drawing these conclusions.

Big-blast CRM, invariably wrapped around an implementation of a CRM "suite," is unlikely to meet the expectations of the senior management who sanctioned the expenditure, or of customers. Business magazines such as *Industry Standard* and *Fortune* have run high-profile stories questioning whether big CRM projects ever provide adequate return on investment—investment often amounting to tens of millions of dollars for software, hardware, and services.

The analysts do not make the situation any better. Many of them talk about CRM ecosystems but fail to discuss the real tangible benefits of implementing a system to allow customers to communicate by e-mail (and get an appropriate response) or to allow vendors that have invested in a marketing database to use that database to maximum benefit by engaging in closed-loop marketing—online and offline. They bamboozle their clients with CRM-speak.

CRM is not about big blast; it's about realizing measurable return on investment by implementing projects that can produce dramatic improve-

ments in customer engagement (not just satisfaction) quickly. It's certainly not only about the Internet, but it recognizes the Internet as a key conduit for application integration and as an increasingly important channel for asynchronous communications (as well as self-contained e-commerce communications).

Gartner (one of the more common-sense analysts when it comes to CRM—it only recently corrected a position of recommending a suite approach rather than bite-size best-of-breed implementations) has published data that predict that 50 percent of current CRM implementations will be considered failures from a customer point of view in 2006. It's not certain how that prediction will ever be proved or disproved, but it props up my point. In Gartner's view, the key weaknesses of those failing CRM implementations include lack of channel integration, poor process redesign, or just no real tangible customer benefits (this one resulting from the first two, presumably).

The likelihood is that from the implementing company's point of view no real metrics will be put in place to measure success (or failure) in any case. Technology-based projects are pretty notorious for being implemented without any formal methods of determining the net result in terms of user acceptability or customer satisfaction. Of course, the more switched-on organizations will, no doubt, implement customer satisfaction studies. But for reasons outlined in the previous chapter, this is not enough.

## **9.2 Measurement at the microlevel**

CRM provides real opportunities for customer satisfaction and brand involvement to be measured empirically at a microlevel as well as at the aggregate level. This allows the net result of CRM initiatives to be measured from within. To an extent, however, this requires a degree of nettle grasping on the part of management. There is still a sense of "What I don't know won't do me any harm," within some management circles. It is this attitude, more than any other, that spells disaster for CRM. The old maxim applies: nothing is manageable unless it is measurable.

Good old market research can play a key part in determining what the metrics should be. Qualitative and quantitative research can identify key brand attributes that contribute to involvement, and there are many proven techniques for customer satisfaction research and tracking. Building these metrics into customer databases and committing to a formal process for continuous customer feedback is extremely important. In this respect the marketing database and the customer database need to coalesce.

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Numerous questions must be asked. Do most organizations have the necessary skills to take the plunge? Will they be able to implement organization-redefining CRM? Do they have the skill sets to utterly change business practices? Are CRM practitioners and IT staff in most organizations marketing savvy enough to consider building woolly “brand involvement metrics” into their database architectures? Will they have the customer-centricity within their contact centers, product marketing functions, and technical support areas? Will senior management have the commitment to buy into an iterative process of CRM involving the integration of several point solutions and myriad portal touch-points?

### **9.3 A role for process and outsourcing**

For large companies, implementing wall-to-wall CRM is a significant challenge, and that is one reason why CRM outsourcers will become more and more important. And it’s likely that such outsourcers will become more varied in the services they provide.

The market for outsourcing services is changing as fast as the CRM market itself is evolving. One interesting and relatively recent development, typical of this evolving market, is the acquisition by Solectron of Stream International. Solectron is a manufacturing outsourcer that contract-manufactures electronic products for companies such as Hewlett-Packard. Recently it decided to enter the CRM outsourcing market by acquiring Stream International. Stream provides specialist outsourced technical support services through a host of contact centers in several locations worldwide.

Solectron recognized that for many organizations CRM processes (in common with manufacturing processes) were noncore activities best left to specialists. Whether Solectron is successful in integrating Stream into its portfolio of services remains to be seen. However, it makes the point that CRM processes—in fact, just one strand of CRM processes—are best managed by organizations that have the expertise, financial might, and focus to get the processes right.

Business process outsourcing (i.e., third-party organizations doing stuff rather than simply consulting) is gaining momentum. Some customer management outsourcers focus on certain vertical markets. Vertex, which is a spin-off from utility giant Texas Utilities (TXU), provides customer support services on a vast scale to its parent company in the United Kingdom. What it learned about managing huge volumes of consumer customers it now applies

to other clients with similarly large customer numbers and relatively frequent interactions (e.g., telecommunications and travel companies).

Vertex has extended its offering outside of traditional call-center operations into bill processing, answering customer e-mails, and even providing information to customers via mobile phone messages. Vertex has realized that it has substantial core competency in communications and correspondence management services and can afford state-of-the-art technology to support these services. It serves organizations that are large and highly distributed and that, perhaps correctly, do not consider centralized customer management as a core activity.

So what is core? Surely brand management is core. How can any organization in its right mind outsource the management of communications with customers?

It is true that nothing is more important than the brand. In the case of many organizations, brand management is about divesting non core operations to specialists who perform in such a way that brand values are enhanced. It's analogous to giving away the family paintings to an art gallery for restoration and hanging for thousands to enjoy.

To give some idea of the scale of operations that can potentially be outsourced, one need only look at the Vertex agreement with TXU. This customer support outsourcing contract is worth about £650 (approximately \$1 billion) and involves several dedicated contact centers and hundreds of staff members.

The nature of these outsourcing engagements is changing as competition for outsourcing services heats up and brand owners realize that customer support can be a major differentiator. Business process outsourcing companies are often best placed to be able to utilize new technologies and amortize the cost by adding services to core services already provided to clients. Outsourcers typically have good access to capital and equipment, whereas CRM projects within the corporate environment have to take their place in line with other expenditure requests from other parts of the company.

According to a recent report from Cahners In-Stat Group,<sup>1</sup> "Firms are likely to turn to ASPs and other hosted service providers to reduce implementation schedules for new applications." However, in my view, lumping

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1. "What Has Emerged from the Chaos? The Current State of the Technology Industry," Cahners In-Stat Group, September 2001.

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together ASPs and outsourcers in this way is unfortunate. The business models are very different, and target markets are fundamentally different. There is sound business logic in a large firm outsourcing processes and off-balance-sheet financing major CRM initiatives. Tangible customer benefits can occur as a result of the decision.

ASP models merely obviate the need for investment in in-house software. Often an ASP route will be chosen for tactical rather than strategic reasons. In other words, there is a fundamental difference between business process outsourcing and using ASP solutions. One relates to business organization, the other to application software location.

The decision to outsource or not to outsource has to be taken on the grounds of what makes sense for the business and where the business's intellectual capital needs to focus its attention. To an extent I would subscribe to the view that the decision to outsource CRM processes should be driven by the same business objectives for implementing a CRM initiative in the first place. Namely, the question has to be asked, "Will outsourcing my CRM processes result in a radical improvement in business processes to the ultimate benefit of the customer base?" Of course, the next question has to be, "Will the concomitant increase in my cost base be offset by improvements in customer lifetime value?" The outsourcer will need to provide standardized methods for determining customer value and profitability.

Thankfully, many outsourcers are more comfortable with the concept of measuring customer satisfaction and brand involvement than the companies that ultimately own the brand. Customer support outsourcing organizations are often amalgams of a variety of management disciplines. However, what follows here is a discussion of some of the key CRM processes that need to be considered. I'd suggest that the reader may wish to consider whether an outsourcer or insourcer is likely to have better capabilities in each of these areas.

## **9.4 A focus on the four tenets**

Let's start with the four tenets of good customer care—knowledge, reciprocity, easy communications, and local context—that were discussed in the Introduction; then we'll expand on this list by adding other areas in which sound processes must play a key part. Previously, I suggested that these tenets of customer care in the context of local, customer-focused businesses should perhaps apply to larger businesses with thousands, hundreds of thousands, or even millions of customers.



### **9.4.1 Knowledge**

At a local level, knowledge of customers is relatively easy. Customers are relatively few in number, and relationships can be built up over time. There is an element of trial and error; the vendor is constantly reappraising the nature of the relationship—how cross-selling opportunities should be pitched, how far the sales relationship can be stretched before it might be damaged. In short, for local businesses customer knowledge is built on nothing short of everyday interpersonal relationship building.

Processes designed to replicate such interpersonal relationship building depend in large part on information systems approximating this iterative relationship building process. Knowing the customer starts with the basics—with dialog made context sensitive.

It is widely appreciated now that knowledge management processes must extend into all aspects of the CRM mix. However, knowledge systems do not stop or start with any single facet of customer engagement. Some vendors seem to believe that knowledge systems are required merely to drive personalization applications or to act as an assistant to technical support contact centers.

Increasingly, however, aspects of knowledge management need to be contained in workflow applications. Workflow systems ensure that processes are adhered to as and when a customer engages, or that the consequence of the engagement (particularly if it is transactional in nature) ripples throughout all relevant systems. However, in the same way that a transaction results in inventory systems being updated, customer engagements that supplement knowledge of the customer need to be reflected in updated customer records and customer profiles.

In short, knowledge processes are two-way. They are not simply informational; they do not merely tell, but they listen as well. They improve understanding of the customer at the individual level and of customers at the aggregate level.

### **9.4.2 Reciprocity**

In small communities a supplier often cannot afford to damage a customer relationship because news travels fast. Where the customer base is larger, one poor customer experience has less impact on the entire customer base. In numerous instances I have called to close a credit card account and the

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account was closed in a very perfunctory manner with no request on the part of the call-center operative as to why I was closing it.

It costs 12 times more to obtain a new customer than to retain an existing one, according to the Gartner Group. Yet every day, hundreds of thousands of customers close credit card accounts, or bank accounts, or relationships with utilities or phone companies. Their actions go almost unnoticed by the organizations with whom they used to do business. Rarely are they contacted post hoc. Almost never are they persuaded to stay.

A core CRM process is managing consequence of failure. In the first place, this means minimizing poor performance to the extent that customer churn among profitable customers is almost zero. In addition, it means ensuring that everything is done, within reason, to ascertain the reason for churn; to learn from the experience; and to minimize reciprocal action.

Because if it costs 12 times more to keep an existing customer than to gain a new one, it means that even a low customer churn rate requires considerable marketing expense to maintain revenue. For every customer retained, the positive impact on the cost base is considerable. Yet, invariably we reward people for acquiring new customers but rarely reward them for retaining existing customers.

Reciprocity “processes” in the context of a local business amount to “saying thanks”. In the context of a large organization, reciprocity is about making it very worthwhile for the customer to expand his or her relationship by offering inducements. In other words, “If you do this for me, look what I’ll do for you.”

Let me provide a banking example. Let’s say I have a credit card account, and I’ve had it for five years. I generally have a credit card balance of \$1,000 or so per month, and I pay interest of 19.5 percent annual percentage rate. I then start receiving offers from other credit card companies (or perhaps even my own) offering me a credit card with 0 percent on retail purchases for six months and 12.5 percent annual percentage rate from then on. I can also transfer my current credit card balance and pay only 4.9 percent for six months. The likelihood is that I’ll switch.

Now let’s assume that my credit card company sent me, without my requesting it, a letter saying that because I have been a good customer they have decided to offer me, as a thank-you, an interest holiday for six months. They are offering me 3.9 percent on my balance and all retail purchases for

that period. The likelihood is that I'd stay with them to avoid the hassle of changing. They would keep me as a customer, get some interest paid for six months, and get me back up to standard interest rate in just six months. Therefore, my potential lifetime value will have been enhanced considerably.

Proactivity of this nature depends on analytics identifying “at risk” customers in this way—customers who have been loyal and may consider that they are being ripped off by continuing an existing relationship. Therefore, paying due regard to reciprocity is a key consideration when establishing analytics-based marketing communications processes. Analytics are discussed later in this chapter and at length in Chapter 5.

### **9.4.3 Easy communications**

Communications are made much easier if buyer and seller are in tune, can read each other's body language, and have a developed sense of what will work and what won't. This ease of communications is made more difficult if parties are more distant or separated by technology.

However, multiple communications channels—or rather the customer's use of multifarious channels (even simultaneously)—can make the whole process of communication more like the real thing (i.e., direct human contact). The other point to remember is that part of the reason for the explosion of the CRM market is the fact that disintermediation has resulted in diminishing opportunities for face-to-face contact through brokers or agents. Therefore, CRM systems are required, so the logic goes, to enrich the customer experience.

I can recall, as a business banking customer, the disappointment I felt when I was informed that all account-related queries would be handled through a call-center. I was no longer able to ask for Paul or Rita at the bank branch; all my queries would be handled by a central facility. That sense of disappointment never went away, because the central facility, frankly, lacked the flexibility and fluidity of communications and lacked the knowledge of me and my business and my account to add any type of value.

Value can be added back by simply reintroducing those services that made me bond with my bank branch—a sense that my problems would be owned and that someone cared and would make it easy for me. And the achievement of this depends on making the interface utterly flexible, undertaking the necessary preparatory work to make the new arrangements seem like improvements, and giving contact-center representatives fingertip access to key,

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relevant, and timely information, preferably across a host of channels. Processes for dealing with these multiple channels are discussed later. But a key point is that if the channels can be seen as a whole rather than single unconnected strings leading to separate data islands, communications will be perceived to be easy and of significant value.

This is why Midland Bank got First Direct right. It was a brand-new bank that would have no bank branches. Customers could make contact (initially) only by phone or mail. Therefore, it was realized that literally all systems, all data, all decision support, and all bank departments would need to be available to the customer support representatives. This was a CRM-driven bank built from scratch. For most other businesses getting it right is, therefore, about aggregating data and providing these data just in time in the right format to the correct touch-point.

#### **9.4.4 Local context**

The provision of local context for aggregate and individual communications depends on a thorough understanding of key communities within a customer base. With the adoption of CRM processes that methodically define and redefine these communities based on a combination of market research and analytics, CRM processes can mimic services provided by local, community-focused businesses.

## **9.5 A multiple-channel approach**

Organizations that purport to be able to manage customer relationships will be of real value only if they can manage customer engagement across a variety of touch-points. This is a significant issue. The role of new electronic channels has been discussed elsewhere in this book, but it's worth repeating that CRM operations (in house or outsourced) often manage only voice communications and have an understanding only of how to manage that medium. Outsourcing customer communications processes requires due consideration to be given to integration of a multiplicity of channels and the aggregation of data from these channels.

This raises the key question as to whether the vendor or the outsourcer should share channels and data or whether the strategic decision should be made for one or the other to own them all. However, the key point to note is that the discussion needs to happen and customer data structures need to be considered so that processes for data interchange can be established.

## **9.6 Describing the customer**

As the previous chapter argued, a key consideration is how the marketing database is constituted and what customer descriptors are built into it to allow customer lifetime value, satisfaction, and brand adherence metrics to be assessed. The customer database will obtain feeds from ongoing customer engagements and campaigns designed to elicit customer engagement and to enhance customer data. Processes for dealing with this behavioral data—which will be voluminous—will have to be defined in advance. In addition, consideration must be given to the connectivity of the contact center to other parts of the organization, as discussed in earlier chapters of the book.

Describing and documenting customer engagement processes and ensuring that technology is fit for purpose depends, in large part, on adequate vision. Fully understanding brand values is only part of what is required. CRM processes need to be defined more widely than before and include customer acquisition considerations as well as continued customer engagement and maximization of lifetime value.

The further upstream and downstream the processes go, the more CRM impinges on the traditional domains of sales and marketing (upstream) and customer support (downstream). This was discussed previously. But getting all such parties involved in discussions relating to how customer processes are defined is, in many organizations, utterly revolutionary. Turning these discussions into rational and coherent methods for customer engagement will never be simple. Outsourcers are likely to play a key role here, certainly in terms of taking large process chunks out of the client organization and applying best-practice processes.

## **9.7 Defining different personas and closing the loop**

Customers will want to be able to define different vendor “personas” by engaging in a way that they choose—at times the customer may want to talk sales talk. At other times the customer may want the vendor to adopt a more informational persona. Therefore, the CRM system needs to have sufficient logic to be able to serve the customer’s interaction needs in the most appropriate manner.

The difficulty lies in the fact that with multiple channels and both customer- and vendor-initiated contact, the system processes could potentially

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become very complicated. They needn't be if processes and service levels are defined from a customer perspective.

For example, if a customer were to request product information via a portal, this should generate a message that, complete with a template response, passes to a contact-center agent (this process can be facilitated by an e-mail management application). The template may request feedback from the customer. If the product merits it (i.e., it is of sufficient value/margin) non-response to the feedback form may result in an e-mail being generated by the outbound campaign system, asking a channel partner to make contact with the customer. An agent will be alerted if the channel fails to respond. Meanwhile, the customer interaction history profile will be updated and will be available to contact-center agents.

This is how the closed-loop marketing system, described in the previous chapter, would work. In other words, instead of events being freestanding in the system, the consequence of action or nonaction stays in the system until it is resolved in some way, deferred or archived in an appropriate manner in the database so that action may be taken in the light of it at some date in the future.

The alternative scenario is that key aspects of the CRM process are disjointed and unconnected. A customer might receive a direct-mail piece for a product he or she has already purchased. A customer may complete a further information Web form on a Web site but then receives a call from a contact center agent with no knowledge of the product area of interest. Instances such as these leave the customer dissatisfied and with a negative perception of the brand.

## 9.8 A key role for analytics

Part of the decision making relating to these processes involves defining exactly how the system will take away much of the routine from staff overseeing the systems. Let's say we have a relational marketing database of customers and prospects where they are described using several hundred fields. Over time these customers will interact spontaneously and will respond to interactions initiated by the vendor. In a very short period of time the marketing database will consist of a cacophony of interaction data. Even the ablest statistician will have difficulty making sense of it all. The system must prompt analysis routines or suggest actions to ensure best practice or to ensure adherence to service-level agreements.

“Analytical scenarios” will need to be defined before a CRM system is built. Standard interaction system “events” will be defined to ensure that system administrators are not required to make up their own analysis runs on the fly or be required to anticipate all analysis scenarios. For example, if the vendor is to initiate contact with a specified customer segment, the system must have sufficient process logic to be able to alert the system operator to the fact that certain customers in the selected subgroup have not responded to previous “campaigns.” It should also cross-check automatically with suppression lists—for example, lists of customers who have dubious payment histories or are in dispute. Much of this is common practice in organizations that engage in direct marketing, but the processes for CRM need to be more tightly defined and more intricate and must be constantly updated in the light of ongoing customer engagement.

Too often, the role of analytics in a CRM implementation is insufficiently defined. CRM tools may be used to develop campaigns or to mine databases on the basis of specified parameters. Analytics have a key role to play in ensuring that poor performance is identified. Analytical CRM needs to perform a monitoring and control function.

Monitoring and control in this context means that analytics need to run constantly—checking for aberrations in the database, running deduping routines, highlighting data gaps, and alerting for inactive or sleeping customers. Analytical tools have myriad tasks to perform. They can be used to generate daily “birthday” runs, highlight change of address details, and perform similar actions. In addition, they can be primed to perform quality performance measures and act almost as an expert system, ensuring that customer data are constantly being reassessed.

## **9.9 A strategy for channel development**

No other issue causes more debate in CRM circles than the issue of integrating voice and textual data. Many vendors of call-center applications claim that they have developed systems that have unified queues; as a result, contact-center agents may be dealing with a customer in a chat session one minute and in a voice session the next.

While many vendors talk about unified applications handling both voice and electronic channels, the actuality in terms of agent interface is very different. Blending channels requires a mix of skills in the agents that many of them will not possess. At a technological level, the applications are unlikely to be genuinely blended; there may be some commonality in look and feel of appli-

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cation, but to all intents and purposes e-channel management applications and voice channel are entirely separated.

From a process point of view what constitutes best practice and what technology will emerge?

The first point that needs to be made is that regardless of the systems that are developed to support contact-center staff, agents who can use a multiplicity of communications channels will be much more enabled than the typical agent in many call-centers today. The true multichannel agent will be required to adapt constantly to media and customers requiring different types of interaction. The systems that will emerge to support such staff will, in effect, be highly developed “expert systems.”

In my view, processes will be more easily established and managed if certain channels “win the day.” What do I mean? Currently, there is a widely held view that two very different channels can in some miraculous way be unified or merged (e.g., traditional telephone and Internet protocol [IP]–based messaging). In my view, IP messaging will become dominant. And my logic is based on an observation.

Customers who currently have a preference for engaging using traditional telephone tend to be channel loyal. Customers who use electronic channels tend to be channel disloyal. However, the tendency for e-channel fans to use the phone is largely driven by the current inadequacy of the e-channel. And it is at this point that I’d make a very outrageous comment and one that at first sight may appear to run contrary to my previous arguments about consistency of customer experience across channels.

In my view, as e-channel becomes more robust, the requirement for customers to engage by the traditional telephone channel will diminish. Customers using the telephone will tend to strongly favor that channel. At a certain point it may become practical to make the use of the telephone less practical for e-channel customers. In other words, create two customer centers: one for telephone customers and one for e-channel (embracing VoIP).

There’s a weird logic in this approach. The development of an all-IP contact center will support a customer base that will grow markedly over time. The development of systems and processes to support such customers will be relatively simple. For example, IP-based contact systems can support voice mail interaction, e-mails, Web forms, and synchronous voice and chat. Facilities for categorizing and routing contact can be made consistent, and contact-center user interfaces can be made highly flexible using a portal-based application environment.



We'll also see the emergence of all-IP-based intelligent routing switches in the contact center. These switches will allow customer interaction to be routed on the basis of channel, nature of interaction, and nature of response required. If agent involvement is required, agents will be fully briefed and perhaps prompted on the nature and tone of the response to be given. Connectivity will ensure that agents also have services at hand to provide customer-specific response. None of this is possible using traditional voice contact.

Customers will quickly see the advantages to be had in communicating this way, given the added-value services they can expect. The traditional voice contact "island" will get smaller and diminish as IP-based communications become more and more ubiquitous. Therefore, a core competence in any CRM-oriented organization (outsourcer or insourcer) is the ability to embrace and maximize Internet protocol-based communications and contact-center processes.

Also, the only method for capturing the nature of voice interaction (so that all customer engagements can be captured in a common database or data warehouse) is for the agent to manually categorize the nature of the customer's voice call or for the voice call to be digitally recorded and tagged with a categorization descriptor. Therefore, digital voice recording and voice messaging processes will be embraced in the same manner as text messages (or at least in a similar manner).

One obstacle to this type of development is the relatively limited functionality of VoIP call-center applications compared with fixed-line telephone applications. However, my view is that the sheer advantages for both sides in conducting business using Internet protocols will cause application functionality to improve and for IP contact centers to become the norm by the middle of the present decade. Therefore, my recommendation would be to embrace the IP channel for all forms of customer contact—voice and text, synchronous and asynchronous—and to invest in technologies and processes that recognize the longer-term importance of the Internet as a communications medium.

## **9.10 Establishing electronic processes**

Establishing formal processes for customer relationship management cannot, any longer, be completely internalized. As has been hinted in this chapter, and in Chapter 4, new integration standards are emerging to allow disparate customer-oriented applications to be integrated. The delivery of data to customers and internal customer-facing representatives will increasingly be a

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matter of putting information where it is needed. However, processes must also be made virtual so that services can be provided on the Internet.

The provision of Internet services requires the development of standards to support electronic processes. However, the development of such services is more exciting because, as was discussed in Chapter 4, Web services can combine a company's internal services with those of external organizations. However, the definition of the process or workflow has to be defined by the company itself.

The importance of this is immense. It again confirms the diminishing importance of aggregation and cooperation in providing excellence in customer service. However, it provides a unique opportunity for organizations to constantly define and refine services to make the process of doing business immensely easy, seamless, and highly value added.

The provision of value-added Web services demands that processes be defined so that all services can be glued together. In a presentation at the W3C workshop on Web services, Hewlett-Packard's position paper on business composition makes the point very succinctly:

The effectiveness and efficiency of business processes impact directly the profitability of a company. It is in the best interest of e-service providers as well as e-service consumers to understand the operational requirements for their cooperation. An e-process defines the interactions between the company owning the process and the e-service providers involved in its implementation. In particular, an e-process defines the orchestration activity needed to enable the cooperation between e-service providers. As traditional processes were designed around the operational model of customized business applications, e-processes should be designed around e-services. A clear understanding of the business interaction model of an e-service is paramount.<sup>2</sup>

The authors continue by describing three phases involved in evolving a set of e-processes. The first phase focuses on the integration of internal assets. Process technologies—such as workflow—are used. This phase allows an organization to separate business logic, resource logic, and application logic. In the words of the authors, this means that “process can be controlled,

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2, “A Framework for Business Composition,” Hewlett-Packard. Prepared for the W3C Workshop on Web Services, April 11–12, 2001, San Jose, CA.

managed, and evolved separate from the applications.” In phase 2, external resources are leveraged but on a case-by-case basis. In short, processes can utilize e-services provided by business partners. In a CRM context this might mean a vendor vertically integrating front-office functionality with a supplier’s inventory system. However, the arrangements for cooperation between parties still require negotiation and hardwired arrangements involving lawyers and negotiators.

The third phase, however, is true dynamic integration. Here’s how the authors put it:

Beyond such static use of external services, fully dynamic e-processes make decisions each time they are executed in order to invoke the best available service that can fulfill the customer’s needs. The traditional design-deploy cycle of phases 1 and 2 has changed to a per-instance set of decisions...In order to stay competitive, service providers should offer the best available service in every given moment to every specific customer.

Standardization of services is essential if this degree of flexibility can be offered. Standards are in development—and some were discussed in Chapter 4. There are, however, a variety of key areas that need to be addressed by the standards to allow true e-processes and services to be developed.

In Chapter 4 we focused on how XML was becoming the definitive standard for describing Web services. However, put more generically, services will need to be described if they are to be appropriately incorporated into an e-process. In the Hewlett-Packard paper, the authors make the point that they are not necessarily proposing a “common, global ontology” but rather methods of defining and discovering ontologies.

Other areas that the standards bodies need to examine include the following. The service interface needs to be specified. Transactional processes need to be defined, as well as security of interactions between services, contractual issues, and mechanisms for discovering services.

The reason I feel it’s important to highlight the concept of dynamic e-processes (and the technologies that will define them) is because I do believe that those organizations that define their processes in this way will obtain substantial competitive advantage.

Indeed, the creation of dynamic e-processes will allow entirely new customer experiences to be defined. Customers will be able to define the nature of their engagement with organizations in ways that were previously unimagin-

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able. The Internet will truly become a CRM conduit and will act as facilitator to so-called traditional business processes when Internet access becomes truly ubiquitous.

The following chapter discusses at length the importance that research should play in helping to define these dynamic e-processes. The fact is that technologists will never get processes right unless they do something that doesn't, as yet, come as second nature—understand their customers. In short, customer research—and some would argue that survey researchers were early protagonists of CRM—is about to start playing an important role once more.

## *A Researched Approach to CRM*

### **10.1 Effective and coordinated research**

There have been significant hints dropped throughout the course of this book that research has an important part to play in defining and refining CRM strategy. This chapter makes some recommendations about the form of the research process. It is my opinion that successfully putting in place a CRM culture in an organization depends on having an effective and coordinated research approach.

In the same manner that marketing processes need to be embraced by CRM as a discipline, something that was discussed in earlier chapters, customer research is a core discipline that should be embraced by CRM processes. Needless to say, I do not believe that the form this research should take is simply to manage “satisfaction.” Satisfaction is only a very small part of the complex relationship (or lack of relationship) a customer or potential customer has with a brand. In this chapter I’d like to focus in more detail on research at the aggregate and microlevels. The former is used to define strategy. The latter reduces the likelihood of customer churn and ensures that customer relationships remain long and profitable.

The problem is, however, that survey research is simply not well enough developed to help. Some professional customer survey firms tend to have a myopic way of looking at the world. They tend to perceive customer satisfaction research as something they conduct for an entirely different department and often from a budget separate from brand research. In my view, customer and brand research have to be inextricably linked. There is also a growing awareness within survey research firms that research has an important part to play in defining CRM strategy.

I'd like to structure this chapter by looking at the research process from a number of different perspectives: brand equity, defining a method of measuring customer lifetime value, making brand metrics fit for purpose, identifying service gaps and taking remedial action, and defining an appropriate role for analytics.

This may appear to be an odd ordering of things (although what follows is not strictly in that order). One reason is because it is impossible to determine what is important from a monitoring and control point of view if we do not fully understand what it is we are trying to achieve in terms of brand. I introduced the concept of brand adherence earlier and to some extent we need to look for research techniques that attempt to measure adherence or loyalty in some manner. These techniques may prove to be useful in defining scoring metrics.

Another difficulty we have, however, is that many research techniques—and this is particularly the case in brand research—have been defined for certain types of businesses. Brand measurement emanated from the packaged goods industry. However, measuring brand adherence for a bank brand is a very different proposition. Decision-making processes are very different. I can easily switch between brands when shopping at the supermarket, and the decision-making “theater” presents itself often. However, in terms of my main retail banking relationship, the decision-making theater presents itself only infrequently (depending, of course, on the nature of the relationship with my incumbent bank).

However, understanding the nature of decision-making, brand switching scenarios, and how they present themselves to customers is, in itself, a useful discipline.

## **10.2 The churn debate**

In Chapter 7 I introduced the concept of best-practice CRM working at the level of ensuring that churn was unacceptable. I discussed the idea of qualitative metrics being used rather than quantitative to determine the success or failure of direct marketing, for example. Therefore, brand equity needs to operate at this qualitative or emotional level as well. Brand equity measures that attempt to make assertions about the brand based simply on share of shopping baskets or on the basis of aggregated attitudinal scores are fundamentally flawed.

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For effective CRM, brand equity operates at the micro level. Each and every consumer will have his or her own brand equity rating, and that brand equity rating will vary almost day to day. If CRM systems are to work at any level, they need to work at the microlevel in terms of assessing each and every customer's brand equity.

One of the most highly regarded research practitioners on the subject of brand and brand equity is Rory Morgan of Research International, one of the world's largest custom market research firms. He approaches brand management from the traditional perspective and puts the importance of brand measurement as follows:

If brands are a company's most valuable and enduring asset, it is vital for marketers to know exactly what they have got, and [it is] surprising how few have a really clear idea of what makes their brands tick. Which is where the right research comes in. Only by understanding how the various components of branding—such as emotional affinity, functional performance, service satisfaction, brand equity, value for money, and so on—fit together, can a brand be well managed.

Just imagine how effective an organization could be if it were able to assess brand performance both at this aggregate level and at a customer-specific microlevel. And I would bet that most managers who have been given responsibility for CRM never thought they might end up with brand management responsibilities!

## 10.3 The brand and CRM

Let's look at the key components of brand measurement that Research International offers and then discuss how practical it might be to integrate such measures into CRM processes.

Gaining a qualitative understanding of how customers engage and their perceptions of the brand can be incredibly powerful. For managers, technical and nontechnical, who have been charged with implementing CRM processes, it can be revelatory. The challenge lies in being able to define the brand. Certain financial services companies have many, many brands, divisions, and persona. Some customers will have relationships with all, others with just some.

However, in order to define appropriate CRM processes, brands need to be defined on the basis of customer engagement. Wholly defined units with which the customer engages (regardless of the internal structures required to

present this unit) should be assessed individually. Therefore, it is pointless for a highly diversified organization with many dozen subbrands to attempt to assess the nature of brand equity at the parent level. Such work may be interesting in terms of assessing the efficacy of marketing communications activity but is of little use for CRM process definition.

Qualitative research, based on one-on-one interviews or focus groups, attempts to determine the characteristics of the brand that make it preferred over other brands. By conducting research among customers and noncustomers, the degree of brand involvement, the potential longevity of the relationships, and the factors contributing to longevity, can all be assessed.

Factors contributing to longevity of brand relationship are not quite the same as factors that contribute to lifetime customer value. Sometimes it is the case that customers might perceive that they are likely to engage with a brand for a very long time indeed, but the relationship is of very limited value. For example, I may always buy a Volkswagen and love the brand, but I won't change my car for 15 years and won't get it serviced by a Volkswagen dealer after the warranty expires. Therefore, qualitative research should attempt to identify the factors that contribute to brand preference as well as the factors that contribute to long-term, actual, and profitable brand engagement.

Building on qualitative work of this nature, quantitative research can allow CRM practitioners to understand the relative weights of factors or attributes of brand that contribute to overall brand preference and (profitable) brand adherence.

Such research is very useful indeed for benchmarking against competitors or organizations perceived as best of class in a particular category. However, other research techniques provide potentially more useful pointers for CRM practitioners who may be considering building brand equity monitors into standard CRM processes.

Again, referring to Research International's roster of brand diagnostic tools may provide some food for thought (the reader should be aware that there are many other survey firms that offer variations on the same theme). This is how Morgan describes Research International's Equity Engine:<sup>1</sup>

Equity Engine brings together the critical factors that determine the overall equity of the product or service in the consumer's eyes. It demonstrates the emotional characteristics of the branding (as measured by the affinity it gener-

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1. Equity Engine is a Service Mark of Research International Ltd.

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ates, through its capacity to evoke authority, identification, and social approval), as well as the functional aspects of performance. In addition we can show how “value” is created for consumers by comparison with other offers, and how this results in perceptions of “value appeal.”

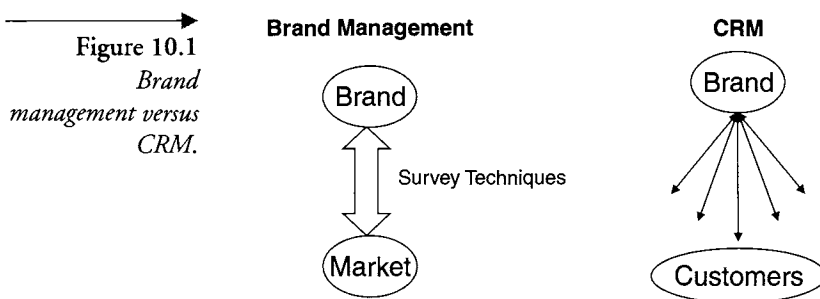
Therefore, by comparing the brand with other brands or “offers” it is possible to determine, quantitatively, how well we are doing in a competitive context.

This is something that is particularly difficult to do at a microlevel. We cannot simply choose to ask a randomly generated sample of customers what they think of our brand as compared with these other brands (each with their associated product, service, and pricing bundles). There will always be a role, therefore, for independent survey research helping to position brands, or sub-brands, within a competitive landscape. The research is diagnostic; it allows changes in the basket of attributes (emotional and physical) of a brand to be altered to ensure that the offer is optimized.

## 10.4 Brand management or CRM?

So far, then, there’s nothing new. Qualitative and quantitative research has a key part to play in helping us understand how our brand ticks and can contribute to an understanding of how our brand creates value in the minds of our customers. It can also place our brand in a competitive context. Isn’t this just good old-fashioned brand management and should be in the traditional domain of brand management?

Well, no. For the reasons illustrated in Figure 10.1 it is my assertion that by adopting highly customer-oriented processes throughout an organization, processes that embrace traditional marketing processes, will be essential to close the loop. What would traditionally have fallen into the domain of brand management now allows us, as custodians of the customer experience, to



understand how well things are going—how well our processes are strengthening our brand positioning. Therefore, brand management and CRM processes are now one and the same.

However, it is in the area of loyalty measurement that things need to change fundamentally. What we have discussed so far are tried and tested research processes that can help us understand and track the performance of our brand. Who within the organization “owns” these processes can be subject to debate. However, there is no question that brand performance has to be of interest to managers responsible for CRM strategy. Increasingly, there is an appreciation that that means everyone in the organization.

Loyalty measurement, according to Rory Morgan, is the “holy grail” of consumer-buying behavior. I would differ with him. I believe that loyalty measurement is the holy grail for effective CRM processes. If an organization is unable to take a view of how well it is doing in terms of perceived loyalty within its customer base, it has not put in place effective CRM processes.

## **10.5 New perspectives on loyalty**

Loyalty measurement is the most fundamental and core CRM process. If we have no processes for loyalty measurement, we cannot say with any degree of confidence how well the business (associated with the brand) is doing.

As Morgan puts it, understanding loyalty is about understanding why consumers switch brands. If, as part of CRM processes, we put in place a loyalty dimension to our customer data, we need to alter this definition of loyalty a little. Just a reminder—my apologies for repeating this—loyalty is *not* about customer satisfaction or the measurement of it.

Creating unique loyalty scores for customers has to be an amalgam of a variety of attributes (survey research can be very blunt here because survey firms do not have the advantage of historical customer data). Perceptual data, purchasing history, interaction patterns, and proximity to decision points all have a part to play in describing the customer’s brand involvement and loyalty score. The mix and methodology will vary for each brand and sub-brand—and the nature of product or service (and the degree of intermediation). Let’s look at each of these in turn.

### **10.5.1 Perceptual data**

Rarely are customer-facing staff asked to proffer an opinion as to the state of, or the degree of flux in, a customer relationship. CTI scripts go only so far as

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to very methodically record interactions at a highly mechanical level—length of call, nature of call, response given, among other things. Agents are rarely required to quality check the interaction or to update the customer history in terms of their perception of the state of the customer relationship.

How would this be accomplished? One way would be to have customer-facing staff, such as direct sales staff or contact-center staff, complete a series of dialogs that they instigate. The completion of these dialogs might trip an event or simply update the customer profile. For example, a customer calls or e-mails and indicates dissatisfaction with a delivery. The agent would select a dissatisfaction dialog, which would at the same time create an auto alert for the logistics department, which would be charged with resolving the query. At the same time, the contact agent would be obliged to close the dissatisfaction case through an outcome—a call to the customer to verify satisfactory event closure or a letter detailing action taken and resolution. However, the interaction and subsequent dialog will have altered the customer's scoring in the context of other attributes or scores associated with the customer.

### **10.5.2 Purchasing history**

Active purchasing or constantly improving purchasing behavior indicates a customer who is happy but potentially one who may feel very undervalued if the strength of purchasing is not recognized. Taking remedial action when a customer's spending diminishes is not adequate and not best practice. Therefore, thresholds need to be put in place for analytics systems to identify high-performing or improving patterns.

The challenge is to identify such customers and reward them in a timely fashion. Reward can often simply mean saying thanks and letting the customers know how valuable their business is and how important they are to the business. It may also require the customers to have special service teams, special payment arrangements, or enhanced service plans or rewards. However, the nature of spending is itself a diagnostic research tool that is a strong indicator of loyalty.

### **10.5.3 Interaction patterns/proximity to decision points**

Interaction patterns can be very informative in revealing a customer's propensity to engage and the nature of that engagement. Some engagement patterns will indicate a degree of dissonance in the relationship, potentially indicating a customer relationship that requires just too much servicing to maintain. For example, a customer who constantly complains despite constantly resolved

events may indicate a requirement to part company or, more likely, a more thorough investigation as to the nature of the relationship sought by the customer and the potential return from putting such a relationship in place.

Assembling interaction history can be difficult for many organizations; however, as discussed elsewhere in the book, the ease of achieving interaction history is greatly enhanced as an array of IP-based contact channels is made available to customers. Interaction history across channels can easily be accommodated if integrated application components are used that adopt standardized formats for recording the nature and categorization of interaction.

A low propensity to engage may indicate a lapsing relationship if it is associated with low spending activity. If it is associated with high spending activity, it may mean that the customer is constantly haggling and renegotiating, implying some degree of flux.

Analytical applications should be sensitive enough to be able to hazard guesses about what patterns of customer behavior and spending imply regarding the status of the relationship. Working with a research organization with skills in assessing consumer behavior patterns may be a good place to start in defining relationship assessment schemes and diagnostic tools.

## **10.6 Decision points**

Assessing the status of relationships when a customer is close to a decision or a switching point is particularly important. Decision points come about for a variety of reasons depending on the nature of the brand or service. For certain types of products or services decision points may come frequently. The objective for CRM practitioners is to reduce the likelihood of switching outside the in-house brand portfolio.

Predicting customers' proximity to a switching point is never easy unless, of course, switching points can be predicted with absolute certainty. This is obviously the case with car insurance that is renewed annually on a specific date. In the area of retail baking it's much more difficult to predict. However, for brand relationships where switching is normally difficult to predict, the collection of brand adherence or loyalty metrics along the lines described previously will make the task significantly easier. Well-defined analytics make the job considerably easier by alerting the brand owner to upcoming, predicted switching points.

In my view, building the ability into CRM processes to predict—or instantly alert—brand owners to the likelihood of switching within the overall

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customer base is more important than anything. Moreover, having in place processes for reducing the likelihood of switching points occurring is critical—particularly for vendors that anticipate long relationships with customers, such as retail banks or brokerage firms. Needless to say, having adequate processes for maintaining profitable customer relationships over time is also important.

## 10.7 Lifetime value calculation

At this time, it would also be worthwhile to discuss methods of assessing the likely value of customers so that some priority can be given to relationships that need to be nurtured—where the objective is to keep customers as far away from switching points as possible.

The concept of measuring the value of certain customers, or rather extended customer relationships, is something that has only recently become practical. However, methodologies are still fraught with difficulties. How can customers be assigned lifetime values when it is impossible to decide at what point the relationship will end?

Some consultants recommend aligning costing data with purchasing history and then overlaying anticipated tenure of the customer to arrive at a lifetime value score. On this basis it is then possible to rank or in some other way to score (or value) customers. This allows a kind of stratified approach to customer management processes. Customers with associated great pools of profit are assigned buddies, while the lower ranks of profit performers become a CRM underclass.

It is argued that data warehouses can be used to aggregate disparate data sources so that these profit or lifetime value computations can be assessed based on a common set of data, applied consistently across customers. However, in my view, some methodologies are fundamentally flawed for the following reasons.

It is impossible, for some of the reasons outlined previously, for a customer base to be snapshot assessed in terms of anticipated lifetime value. Some customers may be underperforming in terms of profitability metrics at a particular point in time simply because the organization with whom the customer is doing business is failing to meet its side of the bargain. The relationship may simply be withering through lack of interaction—lack of communication.

Similarly, to borrow that well-worn stockbroker's phrase, past performance is no guarantee of future performance, and that cuts both ways. Customers who have spent well in the past may not spend well in the future.

A better method of ensuring long-term profitable customers, in my view, is not to put in place cumbersome data warehouse solutions that attempt to define long-term customer value. Rather, it is more appropriate to define the nature of the ideal customer relationship and then nurture that relationship through the effective CRM processes outlined earlier in this chapter and in the previous chapter.

Let me explain in a little more detail what I mean. In this book, we have emphasized communication as the key CRM focus. Traditionally, the process of communication was in the domain of the marketing function. However, as discussed elsewhere, we are seeing a move away from mass marketing toward more formalized processes for customer acquisition and retention. It follows, therefore, that there is little point in acquiring customers who fall short of the customer type that is defined as optimal in terms of the product or service bundle offered.

Let's take a banking example again. Most banks, retail banks, try to attract customers using mass-marketing techniques. They advertise. They use direct mail. They rarely, I would suggest, put much thought into the types of customers they really want. Some, by default, attract lower net worth customers. Others attract broad swaths of the midmarket. Certain private client banks focus entirely on customers who might be considered high net worth.

All of these banks, however, probably attempt to sell similar products to their customer bases (if at different price points). They will offer check accounts, mortgages, loans, and retirement plans. They promote products appropriately depending on their target market. However, they rarely seek to describe their optimal customers.

## **10.8 Defining the optimal customer**

Research can help to describe optimal customers. If these banks have established relationships with customers, it should be relatively easy to identify customers who represent the ideal type of relationship. They may be customers who have consistency in terms of revenue generation. They may be customers who have embraced lower-cost communication channels. They may be customers who react most well to communications campaigns and seem most in tune and most engaged with the bank's brand values.

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Research, qualitative and quantitative, within these customer segment, can help the bank break down its offer for these target groups into its component parts—using some of the techniques outlined previously. It can also define how the bank should structure its customer data management so that these optimal relationships can be nurtured.

Once the nature of the optimal customer relationship has been defined, accounting principles can be applied to allow the bank to understand the nature of these relationships at a cost and profit level. Management accountants use a technique called activity-based costing to determine, by reference to a workflow, the absorbed costs at the product level and the resultant profitability attributable to each product—assuming certain price points. This approach can be tweaked for CRM purposes by looking at a defined optimal customer and then looking at the input costs required to service each—based on empirical evidence. Therefore, if the nature of the optimal customer relationship can be costed in this way, and revenue is known, profitability by customer type can be ascertained. If the longevity of the relationship can be assumed, based on past experience, future revenues can be discounted to produce a net present value for these optimal customers.

At an aggregate level, input costs will vary, of course, depending on how successful the bank is in terms of acquiring optimal customers and losing unprofitable or suboptimal customers. As customer numbers grow, there will be concomitant rises in support costs to service them. Invariably, support costs rise in increments at certain levels—to allow for new contact centers to be constructed, for example. The degree of infrastructure costs that the bank can absorb is all part of its budgeting process, so it should be possible for the bank to define what level of customer acquisition is required, and what support costs will be required to service a certain optimal customer load.

Needless to say, this is hardly a common method of business planning in most organizations. Customer support planning in most organizations is at the level of broad and sweeping input costs. However, planning in this manner—in terms of optimal customer acquisition and maintenance—is gaining in popularity.

Having defined the optimal customer numbers and the CRM processes that will be used to nurture them, it then becomes important to ensure that all of those key metrics (at a microlevel) outlined earlier in the chapter, are tracked over time. However, we are assuming, of course, that getting those optimal customers and discouraging suboptimal customers is going to be easy. This is not the case. Because the problem with optimal customers is that they

tend to stay—they’re like that. The challenge is to increase the pool of customers who stay, including those who have a higher propensity to switch.

## 10.9 Introducing customer “nests”

We need to identify optimal customer nests (I’m resisting the temptation to lapse into marketing speak and refer to customer segments, because this is a different concept). Optimal customer nests are, in effect, different customer groups that each produce good returns but in different ways. Each nest may require a different brand experience, and the nature of brand engagement will vary from nest to nest. Defining the various brand experiences is about understanding the need to switch and encouraging switches between nests if they must happen. Some nests are big and roomy, some warm and snug. As customers we flit from nest to nest.

What, therefore, is the difference between an optimal customer nest and a market segment? Let me recap. A customer nest should contain only customers who are suited to that nest and are profitable. Our challenge as CRM practitioners is to keep the customers in the nest as long as possible by putting in place CRM processes that ensure we know the status of each customer in the nest. That depends on maintaining diagnostic CRM metrics for each and every customer and having analytical tools alert us, or drive communications, as appropriate. Included in those processes should be a set designed to ensure that we communicate appropriately with customers approaching a switching point. If customers wish to leave the nest we should encourage another nest to make contact—encouraging switching from one nest to another optimal customer nest.

Market segments are simply defined external markets. Nests contain only customers or prospects arriving from other nests.

Are nests brands? In some cases yes, in other cases no. Nests may simply be different flavors of the same brand. Often they will be other brands. In the same manner that we use research to define an optimal customer we can use research to define the nests that we should build.

Having defined them we need to populate them. How can we establish customer acquisition programs designed to acquire new customers that fairly closely map onto the nests?

There are various methods, but the detailed approach obviously relates to the nature of the business and the degree of intermediation. In markets where channels, agents, or other intermediaries can screen customers and then chan-



nel them through to brand owners, it is relatively easy. However, where the bulk of business is undertaken direct, a more sensitive approach needs to be adopted.

New customers often come from campaigns or as a result of spontaneous contact initiated by the prospect—through word of mouth or “viral” marketing.

Direct campaigns can be much more focused on suspects likely to fit into the broad definition of optimal customer nests if the databases used for customer acquisition are very well developed and are built using CRM-defined parameters. There seems little point in using subscription lists or other unqualified lists if they do not provide the necessarily detailed information that is needed.

Remember, initial contact with a suspect is intended to result in long-term customer engagement, which will yield substantial net present value. Therefore, investment in upfront research and qualification of lists is essential. If a subscription list is used, it must be refined and qualified until all relevant information is obtained. And because CRM should truly be about closing the loop, zero leakage from the fully qualified database should be tolerated. If suspects are truly qualified and truly fall into our predefined nests, then they should continue to be communicated with (appropriately) until we are fully satisfied that there is zero prospect of switching from another competitor nest. Or we may choose to wait until a relevant switching opportunity arises. This may sound like a draconian approach, but it is the only one that will yield real results.

Think of the alternative. How often have you received marketing calls from organizations that offer you precisely nothing that you have any desire for or force you to be rude to get rid of them? How many telemarketing calls or direct mail pieces are truly relevant for your needs? CRM starts with research-based and relevant qualification. It continues with every interaction with a suspect, prospect, or customer for the lifetime of the engagement.

Therefore, research, attributed and unattributed, strategic and tactical, has a key part to play in defining CRM strategies. It helps define the nature of the brand, helps CRM practitioners understand the nature of customer engagement with the brand, helps them define optimal customer nests, and defines the nature of customer engagement.



## *Conclusion*

This book has attempted to redefine CRM by putting communication processes at the center of the definition. This definition of CRM embraces marketing and technology principles and tries to look at CRM from perspectives other than that of the Web trader or dot-com firm. Most businesses use a variety of communications channels to reach customers. It figures, therefore, that CRM definitions should embrace more than simply the Web as the primary means of communicating with customers. Rather, the Internet represents a communications conduit that will grow in importance over time and will allow customers to communicate synchronously and asynchronously using an increasing variety of communications methods, with messaging playing an increasingly important role.

The book started with a definition of CRM focused very much on communications and the importance of communications in effective CRM processes. Inevitably, this means that CRM impinges on the traditional domain of marketing. Increasingly it is being recognized that the failure of the marketing and IT functions to communicate may be the key reason why CRM initiatives fail.

Stark evidence of this was produced by a survey conducted recently by the software firm ATG. This study, the findings of which were published in January 2002, found that there was a widening gap between the marketing function and IT, resulting, often, in failed CRM and e-commerce initiatives. Marketers often find so-called CRM implementations of little use or relevance. This may relate to a problem that was discussed in Chapter 7—the fact that marketers often do not have the requisite IT skills or understanding of the potential of IT in terms of brand management and loyalty programs.

In the ATG study, one-third of marketers stated that technology was unimportant in helping them to better serve customers. The obverse, of course, is that two-thirds, a significant majority, believe that technology is useful to them. The key question is, in what way?

I have taken a stance here and stated that the way in which the front office will benefit most from CRM technologies relates to delivery, integration, and smart analytical processes. Defining how the front office should look and for which communities depends increasingly on the use of portal technologies and open integration standards. The look and feel of these interfaces for various communities that will come to depend on them, should be defined by effective use of research, attitudinal data from customers, and a thorough understanding of what processes would work best in maximizing customer lifetime value. Therefore, if any CRM initiative is to succeed, marketing and IT must work more closely together.

However, that alone is not enough. Effective CRM implementation is not dependent on two departments getting it together. It requires appropriate championing throughout the organization and not just in some mealy-mouthed mission-statement way. Rather, it is a matter of recognizing that effective customer communications represents the life-blood of an organization and that every single staff member should regard both service excellence and customer retention as more important than any other role the organization plays.

In the Introduction to the book, I suggested that making customers brand champions is, in effect, the holy grail. Marketing costs can diminish and brand management can get back to its roots. However, this applies more to some organizations than others. Coca Cola, Nike, and Benetton are unlikely to relinquish their control of mass media and run to embrace CRM processes—it simply doesn't make sense. There is no doubt that in writing this book I was writing it from the perspective of the service organization—indeed, the international, diversified service organization.

To an extent, such organizations have failed to do what the global brand owners such as Nike and Coca Cola have been doing for years. They have failed to provide a single customer experience in every market in which they operate and to communicate coherently and consistently across their customer bases. Worse than that, often they have provided a poor brand “experience” as well as an inconsistent one. It is relatively easy to build brand involvement and loyalty when all that are required are low manufacturing costs and massive so-called value-added elements (often represented by a logo). However, where people are required to provide service to people, it

gets somewhat more complicated; it becomes more subject to failure and inconsistency.

The logo owners cannot be complacent, however. As I have suggested, we are seeing the emergence of more and more powerful service aggregators (e.g., Wal-Mart in the United States and Tesco in the United Kingdom). These organizations are beginning to gnaw at the services provided by other institutions that have moved more slowly in terms of technology adoption and the adoption of customer-facing processes—for example, banks and insurance companies. The big brand experience owners such as Virgin are beginning to take an interest in financial services, transport, and telephony.

But oh how easy it is for them to get it wrong when confronted with the complexities of a service model. Virgin still wrestles with “getting it right” in the train business in the United Kingdom. Running a train operation on tracks and signaling provided by a quasi state monopoly makes the process of customer engagement subject to factors totally outside the control of Virgin. If processes are not controllable, then brand engagement processes matter little. However, for a major brand holder to enter a service space and adopt processes that are sloppy is unforgivable. It can, very rapidly, diminish the perceived quality of the brand.

This book has made repeated reference to best-of-breed applications being the way forward in terms of CRM. Robust point solutions that result in obvious improvements in customer service and customer experience were discussed at length in several chapters—specifically, e-channel and customer interaction management applications in Chapter 2 and analytical applications in Chapter 5. However, as discussed in Chapter 8, this does not necessarily mean that so-called CRM suites are all bad—rather, products should be chosen that are fit for purpose. More important even than this fit-for-purpose argument is the one that was made repeatedly about integration. For complex organizations operating across frontiers and with complex product sets, the creation of a fully functional front-office environment is impossible unless applications themselves communicate. Over time we will see more and more interoperability between point solutions, aided by more robust and open middleware and more flexible operational portal technologies.

One sector that has apparently accepted this argument and is moving forward apace is the mobile telephony market. Given the extent of competition—particularly in Europe—and a history of high customer churn, customer-facing processes have had to change. With third-generation mobile technologies just around the corner, mobile companies face several challenges.

Customers will expect to have highly flexible service bundles. They may want to hop between tariffs. They may want subscription-based information services, roaming options, and possibly multiple numbers. Therefore, Web- and SMS-based ordering systems will have to be linked to provisioning systems, fully integrated with billing.

Today, in many mobile phone companies, these systems are island solutions. Customer support staff may have to rekey orders directly into provisioning systems, and then batch processes will update billing systems. This results in orders taking days, or even weeks, to process. However, we are now seeing the emergence of framework or middleware environments that allow these standalone systems to interwork. With hooks into electronic response management systems and other CRM tools, mobile phone companies are seeing reductions in customer churn—in some cases to single figures.

Slick provisioning is not all there is to do; it is only part of the CRM jigsaw. However, there appears to be wider recognition that in order to add value to relationships, basic customer management processes must be in place first. What good is a slick process without the underlying infrastructure to provide fulfillment?

The four basic tenets of community-based businesses I have probably stressed enough elsewhere. So let me put it another way. We are all consumers. What we expect when we do business with an organization is to be spoken to in a way that confirms that the person who is speaking to us knows us a little. We are potentially going to spend money by engaging with this organization, after all, and our expectation is that we will be treated as we would treat others. Is that too much to hope for? I think not. But the reality is different.

Yesterday I called an airline. I wanted to change a flight I had booked and paid for. I rang the airline's customer service center and waited in a call queue for 40 minutes before hanging up without having the opportunity to speak to anyone about my need to change my flight itinerary. The airline's Web site did not have the facility to change flights online. I paid for the useless phone call of 40 minutes. I had paid for the useless flight. Customer relationship management has a long way to go for that airline, and the four tenets were nowhere in evidence for me yesterday. But I know what I'll do—and I bet you can guess.

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# *Glossary of CRM-Related Terms*

## **ACD**

Automatic call distribution. ACD systems are used to route voice calls through a call-center to a resource able to deal with the customer query. They are used in conjunction with IVR systems. ACD systems often receive a lot of criticism because they are perceived to get in the way of interpersonal communications. For organizations that have under-resourced call centers, ACDs provide a method of routing calls to low-cost response resources such as recorded voice announcements or voice-mail.

However, when properly implemented, ACD systems can be a valuable tool. When customer calls are more accurately routed, customers are put in contact with a resource that genuinely answers the customer's query. When an ACD is used to route calls to agents on the basis of agent skills (skills-based routing) they can reduce the amount of time spent by the customer in explaining the nature of the call. Calls can, in effect, be prescreened, resulting in greater efficiency and less frustration on the part of agent and caller.

Companies such as Genesys and Avaya offer ACD systems.

With the widespread adoption of ERMS tools in larger companies, skills-based routing schema should be consistent across channels.

## **Analytical CRM**

Analytical CRM is a set of CRM processes that allow CRM practitioners to have a better understanding of customer needs, or customer behavior. At one level, analytical CRM can be used on an ad hoc basis to identify opportunity or potential churn within a customer base. At another level, analytical

processes can be preprogrammed to ensure appropriate and timely communications. Increasingly analytical processes are embedded so that certain customer-initiated “events” result in an appropriate response.

## **API**

Application program interface. This is the interface used by an application program (such as a CRM application) to access the operating system and other services. An API can also provide an interface between a programming language and lower-level utilities and services that were written without consideration for the conventions supported by compiled languages.

Application vendors with “open APIs” allow other applications or services to integrate or share information with their applications. In some cases, application vendors may go further and write simple integration tools that obviate the need to integrate at the level of the API.

## **Asynchronous communications**

Asynchronous communications describe those forms of communication in which there is a time delay between iterations of a dialog. E-mail is probably the most commonly used form of asynchronous communication. Indeed most forms of communication could be placed in a continuum somewhere between synchronous communication and asynchronous. Voice calls to a call center are the most synchronous; web forms typically the most asynchronous.

In a CRM context, there is a growing customer expectation that asynchronous communications will become more synchronous (e.g., that email messages are responded to quickly). As a result we are seeing the emergence of tools that allow some of the principles of CRM in the synchronous world to be applied to asynchronous communications—for example, skills-based routing technologies and case management.

## **Case management**

Case management allows customer interaction “cases” to be audit trailed, appropriately archived, and associated in some way with customer interaction histories. Case management is often used in a call-center context where a cus-

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customer call—or at least a synopsis of the call or call outcome—is archived and numbered in a consistent way for retrieval purposes.

However, as more electronic customer interactions are passing through multi-channel contact centers there is a greater need to provide case management tools to ERMS (or e-channel management) applications.

### **Categorization**

Customers typically make contact with a contact center if they have a particular type of problem or a certain information need. Over time, the nature of customer queries can be categorized. In the case of a retail bank, for example, customer queries would typically fall into one or more of 400 categories. Often a customer will make contact with multiple queries (e.g., “I need my bank balance” and “I want information on your latest high-interest savings account.” Categorizing voice calls is relatively easy in that the ACD menus should allow the customer call to be categorized and routed. However, most categorization engines fail because they cannot cope with multiple simultaneous categorizations. In this respect text based categorization is potentially more powerful. A customer can type multiple queries into a dialog, and the text categorizer can apply multiple categories to the customer query, each of which will have to be resolved before the case can be closed.

### **Churn**

Churn is simply the term for customer turnover or attrition during the course of a year. So a churn rate of 5 percent implies that 5 percent of the total customer base leaves during the course of a year. Minimizing customer churn is a key objective for many CRM implementations. However, it has to be recognized that a degree of natural churn is to be expected (e.g., customers die or leave the country). However, defection of high-value customers to the competition always needs to be minimized. Analytical tools can determine the nature of customer churn, and primary research can be very useful in determining likely causes for churn and pointers towards churn-reduction strategies.

### **CIM**

Customer Interaction Management. CIM strategies are, increasingly, about embracing traditional voice interactions by customers and e-channel commu-



nications. New software players that focus on Internet Protocol–based CIM approaches are displacing traditional call-center software vendors. In certain markets—such as the mobile telephone sector (which will eventually support all-IP–based networks and customer bases) all-IP–based CIM applications are already in use.

Other interesting technologies in customer interaction management include the so-called universal queue, by which all sorts of messaging, regardless of channel or origin, will be routed by the application to a resource best able to deal with the customer query.

### **Closed-loop marketing**

As marketing processes become absorbed by CRM, there is an increasing need to ensure that marketing processes are closed loop (i.e., that a communication with a customer results in an action). Typically this means that as a customer is communicated with, and the customer responds or fails to respond, the customer database, or data warehouse, is updated. This allows analytical tools to identify nonresponding customers, highly involved customers, or customers that may require some special treatment. In many organizations there is a total disconnect between customer or prospect communications and customer support/management processes.

### **Collaborative CRM**

Another term favored by certain market analysis firms. Definitions of collaborative CRM vary from firm to firm, and there would appear to be an overlap between definitions of collaborative CRM and operational CRM. However, collaborative CRM tends to refer to processes that involve the customer in some degree of collaboration with the vendor organization—perhaps self-help applications or some type of Web tools to obtain tailored or personalized information.

### **CORBA**

The common object request broker architecture, created by OMG, allows applications to communicate with each other regardless of location. CRM applications are often built as a series of separate “servers” that are interconnected across a CORBA backbone. These servers may themselves be built in JAVA, but the CORBA architecture provides connectivity between them.

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CRM applications built as standalone applications have less flexibility and scalability. Individual services within the application cannot be replicated to ensure high levels of fault tolerance or redundancy.

Enterprise applications, however, are increasingly being built in all-Java environments using so-called J2EE—Java 2 Enterprise Edition. CORBA “servers” are being replaced by Enterprise Java Beans (EJBs).

### **Contact center**

Contact centers are what will ultimately replace call-centers. These are customer support or sales centers that are able to handle a variety of types of customer interaction across a series of touch-points or channels. Increasingly, best practice argues that contact centers should be connected to key resources within the organization so that contact center staff can gain access to customer-supporting knowledge wherever it resides within the organization.

### **CRM**

Customer relationship management (CRM) is about understanding the nature of the exchange between customer and supplier and managing it appropriately. The exchange contains monetary consideration between supplier and customer—but also communication. The challenge to all supplier organizations is to optimize communications between parties to ensure profitable long-term relationships. CRM is a key focus for many organizations now as a shift away from customer acquisition toward customer-retention and churn-reduction strategies dictates a need for best-practice CRM processes.

### **CTI**

Computer and telephone integration. CTI applications are what drive call-centers. Typically, a CTI application sits “on top” of ACD and IVR systems, allowing contact center agents to answer customer queries and gain access to relevant customer-oriented data resources. CTI systems prompt agents and allow them to record and archive customer interactions.

## **DCM**

Demand chain management. This is a logical extension of CRM “upstream”. It ensures that as and when customers demand a good or service, the ability to service that demand is in place. DCM is, in effect, the bridge between supply chain management and CRM.

## **Disintermediation**

This rather ugly, word describes the process whereby intermediaries or agents are taken out to make way for direct relationships between vendors and customers. The Internet—or rather the Web—has allowed many organizations to have direct contact with end customers, something that would have been much more difficult in the past. However, one effect of disintermediation is an explosion in the volume of transactions and interactions from customers. Therefore, a key requirement for any organization seeking to do such direct business with customers is an effective method of communicating. In the past the call-center was the preferred method. However, self-help and e-channel communications processes are growing in importance.

## **EAI**

Enterprise application integration. A variety of technologies are coalescing, offering hope that EAI may become a reality. In the past true EAI was a mere pipe dream. However with a move to more open standards; more modular, component-based software design; and the emergence of standard integration platforms, EAI is achievable.

EAI vendors are largely embracing the Web services approach to EAI and many players in the portals market are now active in EAI. Indeed, it's probably true to say that the development of corporate portals has been a major impetus behind new EAI initiatives.

## **E-channel**

E-channel, or electronic channel, is the new generic name given to any electronic channel of communication between customer and vendor or between vendor and supplier partner. However, at another level e-channel is a play on words. With disintermediation (i.e. the removal of multiple tiers of distribution channel), the e-channel is also seen as a new way of doing direct business

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and bypassing intermediaries (in the same way that the phone channel and the call center kicked off the first moves towards disintermediation in the 1980s). Therefore, supporting e-channel communications is becoming more important as companies aim to develop direct relationships with their customer bases. *See also* ERMS

### **Embedded analytics**

*See* Analytical CRM

### **ERMS**

Electronic response management systems. These are systems that manage a multiplicity of customer communications across electronic channels (*see* E-channel). E-mail management applications are now widening out to become more fully functioned response management resources, managing voice, chat, Web and mobile text message interaction. Many CRM suites now embrace ERMS functionality as well but rarely have the depth of functionality offered by best-of-breed vendors. *See also* E-channel.

### **Integration adapter**

Integration adapters are proprietary interfaces between applications (e.g., legacy applications or SAP) and integration backbones provided by firms such as Tibco or webMethods.

The argument goes that over time the requirement for such adapters will diminish as Web services models are adopted. However, there will always be a role for adapter technology as long as legacy data remains.

### **IVR**

Interactive voice response. IVR systems work in conjunction with ACD technology to manage customer calls. IVR systems can accept voice or key-pad responses from customers to provide value-added services or (with ACD functionality) to route calls to call-center operatives based on skills-based routing tables.

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## Java

Java is increasingly the programming language of choice for enterprise applications. One of the key attractions of Java is that it is platform independent so that applications written (say) for a Sun/UNIX environment can work equally well in an IBM/AIX environment. However, the language is often criticized for being slow and therefore unsuited to the needs of developers writing mission-critical applications. However, it is increasingly the case that CRM application vendors are rewriting much of their code base in Java as more and more application functionality starts to reside on the Internet.

## J2EE

Sun's Java 2 Platform Enterprise Edition allows enterprise-class applications to be created using modular components that can spread across the enterprise and be interconnected. J2EE comes with a series of "services" that allow components to inter-work. J2EE also defines a security layer for applications built in J2EE.

Microsoft's .NET architecture is a competitive architecture to J2EE. Microsoft is keen to win in the Web services and enterprise application development arena. However, Sun is a powerful incumbent.

## J2ME

Java 2 Micro Edition. As GPRS and 3G mobile telephone services are rolled out, different operating systems will compete for space in the mobile handset market. However, in the more advanced "mobile" economies, such as Japan, penetration of Java-enabled handsets is increasing. Java enabled handsets will be able to run Java-based applications that can be downloaded from the network, or the handsets can be run as "thin clients", accessing powerful network-based applications such as m-commerce and consumer games. Sun is keen to propagate the idea that just as J2EE permeates the enterprise space, J2ME is the logical extension of this architecture into consumer devices—particularly connected consumer devices such as mobile phones and digital TV set-top boxes.

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## **.NET**

.NET is Microsoft's XML Web services platform, which will compete aggressively with J2EE as the platform upon which Web services will be built. According to Microsoft, "The Microsoft .NET Framework is the programming model of the .NET platform for building, deploying, and running Extensible Markup Language (XML) Web services and all types of applications—both desktop and Web-based. It provides a [...] standards-based environment for integrating existing investments with next-generation applications and services, as well as the ability to solve the challenges of deployment and operation of Internet-scale applications."

It remains to be seen, however, whether Microsoft will be capable of dislodging Sun from its increasingly strong position in the enterprise application development space with J2EE.

## **OLAP**

On-line analytical processing. So-called OLAP tools (e.g., those from SAS and Business Objects), allow users or applications to make decisions in real time. OLAP tools are sometimes referred to as decision support tools and are used widely in analytical CRM arenas.

## **Operational CRM**

Operational CRM is a term used by several firms of market analysts to describe those ongoing, day-to-day processes of customer support and engagement. Typically, operational CRM describes those services provided by the call center.

## **Portal**

The precise meaning of the term "portal" in a CRM context has changed over recent years. In the Internet world a portal used to denote a Web site that is a single point of entry to multiple data sources. For example, Yahoo is a portal in that a rich variety of information and information feeds is contained within the Yahoo site itself, obviating the need to leave the portal. However, the term "portal" is now used in a wider sense to describe any set of consolidated services accessible via a Web browser. These may be internal (intranet-based)

services or external (Internet-based) or both. Moreover, the term “services” embraces both data and application components.

Therefore, “portal” in common Internet parlance now means simply a browser-based consolidation environment in which customers, employees, or partner organizations can get access to key data and services. Such communities may use a variety of portal flavors—but all drawing from common data or application sources.

### **Self-help**

Customers can gain access to information or corporate knowledge or even personal-account–based information using self-help systems. Self-help can be accommodated using IVR technologies or using self-help functionality on a Web site or extranet. Increasingly, portal technologies are being utilized to allow customers to access corporate applications directly.

### **Skills-based routing**

Skills-based routing allows both traditional voice interactions (using IVR/ACD) and text messaging (using text analysis) to be routed to appropriate resources, such as contact center agents. Agents each have associated skills profiles and customer queries will be mapped to agents on the basis of call or message categorization.

In large consumer organizations, categorization schema and skills profiles can be highly complex, particularly if the organization has many divisions or brands, each with their own categorization schema. Therefore, if customer response management happens centrally, there may be a requirement to have a hierarchical schema based on company division, language, or other factors.

### **SLA**

Service level agreement. Often customer-facing organizations define service levels that they (internally) agree should define the minimum standards of service given to the customer. Increasingly, organizations are setting SLAs for the number of times a phone should ring before a customer call is answered or the average amount of “hold” time that a customer should be expected to tolerate before being able to speak to a call-center operative. Increasingly, customer-facing organizations are extending SLAs into such areas as e-mail

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responsiveness. SLAs that are set on the basis of customer need are particularly appropriate. For example, a service organization may define an average hold time of 10 minutes as a worthy objective. However, the reality from the customer perspective is that a 10-minute average performance may translate into a 40-minute wait period, on average, during peak calling periods, which is utterly unacceptable.

## SMS

Short message service (or often referred-to simply as mobile text messaging). Text messaging across the mobile network has taken off in Europe in particular, resulting in significant percentages of mobile phone operator revenue being accounted for by data services. SMS is a potential CRM vehicle allowing customers to access their account histories or to obtain alerts via the SMS service. Many European banks now offer access to bank account data using outbound SMS alerts.

## SOAP

SOAP is a so-called lightweight protocol for the exchange of information in a decentralized, distributed environment (i.e., across the Internet or across a widely distributed corporate intranet). It is an XML-based protocol that consists of three parts: an envelope that defines a framework for describing what is in a message and how to process it, a set of rules for expressing instances of application-defined datatypes, and a convention for representing remote procedure calls and responses. SOAP is emerging as the standard protocol for the Web services model (*see also* UDDI and Web Services).

## Synchronous communications

*See* Asynchronous communications

## Trouble ticketing

CRM and support initiatives can be impacted if, in a service organisation (such as a telecommunications service company), customer-facing staff are not made aware of service faults. Trouble ticketing can help by allowing cus-



tomers service staff to get status reports on service faults and information regarding affected customers.

## UDDI

Here is the definition from the UDDI Community, the body that runs UDDI.org and is developing a set of open standards for a service registry ([www.UDDI.org](http://www.UDDI.org)).

The Universal Description, Discovery and Integration (UDDI) project is a sweeping industry initiative. The project creates a platform-independent, open framework for describing services, discovering businesses, and integrating business services using the Internet, as well as an operational registry that is available today.

UDDI is the first truly cross-industry effort driven by all major platform and software providers, as well as marketplace operators and e-business leaders. These technology and business pioneers are acting as the initial catalysts to quickly develop UDDI and related technologies.

The UDDI project takes advantage of WorldWide Web Consortium (W3C) and Internet Engineering Task Force (IETF) standards such as Extensible Markup Language (XML), and HTTP and Domain Name System (DNS) protocols. Additionally, cross platform programming features are addressed by adopting early versions of the proposed Simple Object Access Protocol (SOAP) known as XML Protocol messaging specifications found at the W3C Web site. The UDDI protocol is the building block that will enable businesses to quickly, easily and dynamically find and transact with one another using their preferred applications. Over 220 companies are members of the UDDI community.

## VoIP

Voice over IP (i.e., synchronous voice communications over the Internet). The majority of voice calls are currently carried over non-IP-based digital phone networks. VoIP denotes synchronous voice calls conducted over the Internet using the Internet protocol. Over time, more and more Internet devices will allow interpersonal voice communications to be conducted on the Internet, certainly as more and more mobile devices adopt IP-based GPRS or 3G technologies. Therefore, it's likely that in a CRM context we will see the

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emergence of contact centers supporting voice and text IP-based communications channels.

### **Web service**

A Web service is an application that resides on the Internet and can be called as an object or component in a Web-based application. Standards are emerging for Web services, describing the method by which Web services are carried over the Internet and can be found using directory services. Many analysts believe that the Web services model will ultimately replace so-called “hard-wired” applications as the standard means of providing enterprise-class CRM services in the future. *See also* UDDI.

### **WML**

Wireless markup language—the equivalent of HTML in the mobile phone world. WML allows Internet-based information to be received by a WAP (wireless application protocol based) mobile phone.

### **WSDL**

Here’s the Ariba/IBM/Microsoft definition. “WSDL is an XML format for describing network services as a set of endpoints operating on messages containing either document-oriented or procedure-oriented information. The operations and messages are described abstractly, and then bound to a concrete network protocol and message format to define an endpoint. Related concrete endpoints are combined into abstract endpoints (services). WSDL is extensible to allow description of endpoints and their messages regardless of what message formats or network protocols are used to communicate.”

### **XML**

This is Norman Walsh’s definition from XML.com

XML is a markup language for documents containing structured information.

Structured information contains both content (words, pictures, etc.) and some indication of what role that content plays (for example, content in a

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section heading has a different meaning from content in a footnote, which means something different than content in a figure caption or content in a database table, etc.). Almost all documents have some structure.

A markup language is a mechanism to identify structures in a document. The XML specification defines a standard way to add markup to documents.

XML, or rather SOAP (a subset of XML) is the backbone or defining protocol for emerging Web services standards. Many CRM software vendors are developing applications based on Web services compliant components.

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# *Vendor Directory*

This directory is presented here to provide readers with an overview of some of the more interesting software players that broadly fall into the CRM market space. It is not intended to be exhaustive or complete, but it does attempt to list companies that have developed interesting technologies or have trail-blazed into certain CRM market segments. I'm aware that there are many hundreds of software vendors that could have made it onto this list. My only defense is that I may not have heard of them or I considered their solutions too "niche" to be of interest to a reader looking for a broad overview of CRM technologies and vendors.

I have also deliberately excluded companies that claim to have overt CRM solutions expertise but could only be regarded only as systems integrators or experts in implementing CRM solutions in certain vertical markets. I have also excluded companies that claim to have products designed to support customer relationship management but in fact offer only database platforms or design tools. I have, however, included a number of players whose solutions could be described as marketing solutions as well as a few others that are oriented more as middleware or knowledge management players. I am convinced that companies that have developed products more overtly designed for customer support environments will embrace such technology in due course.

## **Amacis ([www.amacis.com](http://www.amacis.com))**

Amacis has succeeded in developing a new segment in the CRM market for mission-critical high-end e-channel management solutions in large contact center environments. Its customer interaction management architecture (Amacis Visibility) was designed with the needs of larger organizations in mind. Some commentators have noted that the Amacis Visibility solution

may have been announced somewhat too early (i.e., before there was a perceived need on the part of larger companies to manage electronic communications. In many large companies there is a reluctance to open the floodgates of electronic communications). Some have failed to crack the nut of seamlessly managing voice communications by customers and integrating front-end applications with legacy applications. Therefore, the Amacis solution, which provides seamless connectivity to back-end systems using IBM MQ Series out of the box is somewhat novel.

The challenge Amacis faces is familiar to that faced by other software vendors that have developed what are perceived to be category killers. They simply do not have the marketing might to convince customers to invest in solutions that have not been branded Siebel. Despite this, Amacis has been successful in signing up such companies as HSBC Bank for multi-country licensing arrangements.

#### **Amdocs ([www.amdocs.com](http://www.amdocs.com))**

Amdocs completed its acquisition of Clarify from Nortel Networks in November 2001. Clarify had, itself, built up a strong set of functionality in the customer interaction management space. Prior to the acquisition, Amdocs was associated with CRM solutions overtly aimed at fixed-line and mobile telephone operators. However, given this vertical orientation it makes sense for the company to have a fully integrated customer interaction solution provided by Clarify. Telephone services companies have been slow, often, to integrate order management, provisioning, and billing systems. Amdocs, with its vertically oriented offering, combined with the Clarify suite, now has a persuasive line-up of product for the telecommunications segment—one that will become increasingly important within the CRM market.

#### **ATG ([www.atg.com](http://www.atg.com))**

Like Blue Martini, ATG has seen some rapid revenue declines and has witnessed volatility in its share price in financial markets. While ATG has been a trailblazer in developing “portal” products, it has focused its technology on web retailers rather than the more lucrative enterprise portal market. ATG, however, is repositioning its products by adopting more of an enterprise-class platform orientation and has forged BEA and IBM (Websphere) technology partnerships. However, ATG is going to find it tough to keep up with the heavyweights.

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**Avaya ([www.avaya.com](http://www.avaya.com))**

Avaya is the world leader in automatic call distribution ACD and interactive voice response IVR systems and was spun-off from Lucent—itsself an AT&T spin-off. With its acquisition of Quintus, Avaya is now a serious player in the multi-channel customer interaction management space. Quintus was one of the early players in the e-mail management category. However, it is seen as a pure-play call-center-focused firm and may find its market slipping away from it unless it is able to move swiftly.

**BEA Systems ([www.bea.com](http://www.bea.com))**

BEA is, and will continue to be, a leading player in integration products that will define CRM processes in the future. The BEA Weblogic architecture allows companies to build enterpris-e-class applications and embrace the Web services model. However, BEA's focus has always been on larger organizations with more distributed applications. Therefore, the company's focus is on delivering middleware solutions to larger corporations that want to embrace the Web services model and to expose these new hybrid applications to legacy systems.

**Blue Martini ([www.bluemartini.com](http://www.bluemartini.com))**

Blue Martini has been having its troubles of late, failing to sustain revenue growth. Its products allow Web retailers to maximize sales, using analytics and cross-sell/up-sell techniques. The company was relentless throughout the course of 2001 in forging and announcing reseller and technology partnerships. However, its revenues were bound to take a major knock when plugs started to get pulled on Internet retailing investments.

Blue Martini's single-dimensional premise that sales can be maximized using automated analytics does not resonate well with organizations that are spending most on CRM—namely service organisations with complex and multidimensional customer relationships. The category of product represented by Blue Martini has a part to play in maximizing sales via the e-channel but it needs to be harnessed and tamed—made softer. Customer relationships, often, are not enhanced if the only end game is tactical revenue maximiaztion. Customers are not that simple.

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**Bowstreet ([www.bowstreet.com](http://www.bowstreet.com))**

Bowstreet, is an unashamed Web services company, and claims that companies that adopt its Web services application development model will substantially reduce time to market.

Bowstreet provides an application development infrastructure that allows services to be assembled “just in time” via Web delivery protocols. The services don’t have to exist “out there.” Rather, they can be provided by in-house Web services, legacy applications, or third parties. The key thing is that the model that Bowstreet advocates is a Web services one; it is an evangelist for this application development approach.

As such, Bowstreet will certainly be a key player in the development of CRM applications in the future. The company recently struck a deal with Sun whereby Bowstreet would port its application development platform to the Sun ONE platform, allowing Java developers to build Web services. Microsoft has struck a similar deal with Avinon to develop Web services using Microsoft’s .NET application server.

Bowstreet got off to a good start with significant VC funding and has helped trail-blaze the concept of Web services. Take-up continues to be slow, but few doubt that the Web services model will ultimately have a significant impact on the development of CRM applications in particular.

**Business Objects ([www.businessobjects.com](http://www.businessobjects.com))**

Business Objects wrote the book on Business Intelligence, literally. Its CEO, Bernard Liautaud, has written a best-selling book called *e-Business Intelligence: Turning Information Into Knowledge Into Profit*. The company was the first French company to list on the U.S. Nasdaq exchange, and its financial performance has been exemplary.

Business Objects has maintained focus since its inception. Its analytical tools and applications allow companies to get specialized ERP information in predefined ways based on business experience and using relatively easy to implement tool-sets. This data are then delivered to staff and customers in order to enhance the customer experience (or, put another way, if the customer asks a question about his own account status he gets an answer).

Zurich Insurance has used Business Objects technology to enhance relationships with customers such as Starbucks. Through use of an extranet facility, Starbucks is able to get access to critical insurance information about

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its properties in real time. This facility has helped Zurich reduce churn within its corporate customer base. Business Objects is also developing mobile phone versions of its client applications to allow mobile workers to interrogate corporate databases when they are in the field.

There is something reassuringly commonsense about the Business Objects approach to business, and it does appear to be reflected in the company's own financial performance. While Epiphany, for example, stresses how it can bring self-learning functionality to its analytical engines, Business Objects puts greater store in allowing business managers to call the shots in defining analytical processes—and giving them the tool-kits to do it.

### **Chordiant ([www.chordiant.com](http://www.chordiant.com))**

Chordiant, like Business Objects, has also been doing rather well and has made some very sensible acquisition decisions, thereby enhancing the company's product portfolio beyond customer interaction management. It also appears to have selected acquisition targets that have operated in hot segments of the CRM spectrum—for example, e-marketing, with the acquisition of Prime Response. Its current buzz term is “dynamically driven” CRM—whatever that means.

The fact is, however, that Chordiant does have a coherent and sensible product strategy. The company has addressed the needs of larger companies and the latest version of its suite is paying more than lip service to integration. The product is developed using J2EE and the company claims that extensive use is made of XML and SOAP interfaces.

Such an approach is laudable. Chordiant wants to be the outstanding CRM architecture player and recognizes that a legacy exists and that SOAP is likely to be a defining services integration standard.

### **Documentum ([www.documentum.com](http://www.documentum.com))**

As the importance of content grows in the context of CRM, the beneficiaries will be companies such as Documentum—companies that allow the distribution and management of large volumes of content across the Web. Such solutions will grow in importance as organizations aim to provide highly relevant and personalized information just in time via contact centers and self-help portals. The next wave of consolidation in CRM is likely to happen when knowledge management and content management functionality is

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embraced. Therefore, Documentum's financial performance is likely to continue beating analyst forecasts until analysts realize that content management is now another extension of CRM.

#### **Egain ([www.egain.com](http://www.egain.com))**

Egain was another early player in the e-channel management space. Like Kana, it was one of the first e-mail management companies to make an IPO. In terms of market capitalization it has fallen from grace to a degree but has been recovering well of late and has succeeded in supplementing its product portfolio. However, the market's perception of the company is likely to be that it is a point-product e-mail management vendor.

Such companies can succeed if they are deemed to be best of breed in their market spaces. Egain, however, has never been successful in building a reputation for being "high-end" or an ideal platform for enterprise players. Rather, it has been more successful selling hosted solutions to smaller companies, including many dot-coms.

For such a business model, of course, there are issues relating to scalability and the ease with which customers can migrate from low-end offerings to being more of an enterprise-class solution. For these and other reasons, eGain has been a casualty of the downturn in CRM stock performance.

#### **e.Piphany ([www.epiphany.com](http://www.epiphany.com))**

e.Piphany is also aiming at the CRM suite space but comes from an analytical rather than a customer interaction background. It has, however, added customer interaction features to its suite through acquisition. Its products, the company claims, are now largely "Web native"—developed in J2EE—with interfaces to pocket PCs, WAP phones, and the like. e.Piphany also claims to have a complete CRM footprint covering marketing, predictive tools, knowledge management, intelligent sales, and analytics, using OLAP tools.

Compared to Siebel and Peoplesoft, however, e.Piphany has been having difficulties maintaining its revenues and is almost certainly losing bids to these formidable opponents.

**Eyretel ([www.eyretel.com](http://www.eyretel.com))**

European based Eyretel is a London Stock Exchange-listed company that is active in the digital voice recording subset of the call center application segment of the CRM market. The company received a minority investment from Cisco a few years back; as a result of this, it has invested heavily in VoIP research and development efforts. Already strong in the voice recording market, Eyretel will have a key role to play in future all-IP contact centers where there is a requirement to archive customer interactions across all voice channels—synchronous voice, chat, voice messaging, and so on.

Eyretel customers include many of the large banks, brokerage houses, insurance and technology companies.

Eyretel's revenue performance has been good, and the company has traditionally been viewed favorably by the investment analyst community.

**Genesys**

Genesys is a wholly owned subsidiary of Alcatel and, like Avaya, is a leader in ACD and CTI technology. Genesys acquired IBM's Callpath technology in May 2001, causing further consolidation in the CTI market place.

Genesys is also a leader in so-called universal queue technology. This allows all customer interaction, regardless of the nature of interaction or channel chosen, to be routed through a universal queue of interactions to the most appropriate contact center resource.

While fine as an objective, universal queue technology fails at a marketing level by not offering optimized routing for each channel. This may explain why adoption is lower than might be expected. Most organizations that have embraced e-channel management have opted for standalone e-channel management solutions working alongside a CTI application—perhaps with messaging-based integration between the two.

The adoption of portal-based contact center front ends is likely to dampen enthusiasm for universal queue technology. Portals will allow optimized channel routing enabled by best-of-breed components united by the portal and integration adapters. Moreover, over time, all-IP contact centers will grow in importance.

Therefore the importance of the traditional CTI players, like Genesys, is likely to decline unless these companies adapt.

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### **IBM Websphere ([www.ibm.com](http://www.ibm.com))**

IBM's Websphere family of products—middleware, database platforms and application components—is listed here because IBM is an important player in the application integration and portal markets—markets that are, increasingly, driving the CRM market. Worthy of mention here is IBM MQSeries, IBM's messaging and queuing architecture, which is used extensively in certain vertical markets as a primary integration layer, particularly in financial services.

### **Kana Communications ([www.kana.com](http://www.kana.com))**

Kana was another early starter in the e-channel management space and is now, along with eGain, synonymous with e-mail management solutions. However, it has added other software widgets to its line of products over the years, largely as a result of such acquisitions as Broadbase and Silknet. Kana's acquisition of Silknet annoyed Siebel so much that the two companies parted company (prior to the Silknet acquisition Kana was a Siebel partner). However, IBM announced a strategic partnership with the company in 2001, and IBM is also a strategic partner with Siebel. The world of CRM software is a very small world indeed.

Kana's cash outlay had a good number of the financial analysts in a spin but after acquiring a bundle of cash with the Broadbase acquisition, the company seems to have stabilized and is becoming more coherent from a marketing point of view. It has made a good few marketing noises about adopting a portal-centric approach to CRM application suite development, thereby pitching itself against Siebel. Long-term, however, it will continue to wrestle with some major integration issues. Downsizing and turnover in its senior management ranks along with an apparent lack of overall direction have also plagued it. Who knows, though. It might do a Peoplesoft and surprise us all.

### **Oracle**

Oracle offers CRM solutions through its eBusiness Suite. In true arrogant style it also has a Siebel/Clarify migration package.

Oracle argues that its suite beats Siebel by being a full-process CRM suite out of the box, automating all customer-touching processes—for example, by integrating invoicing and credit control and by incorporating its own campaign analytics.

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However, Oracle has been less successful in the CRM space simply because of a lack of marketing focus. Its product portfolio is wide, and its functionality in terms of its CRM offering is simply not featured in comparison charts with best-of-breed point solutions or other suites.

Oracle's aggressive marketing and pricing will ensure that the company has a position in the CRM suite space. However, its CRM vision appears to be lacking, and it is unlikely to reach critical mass (or thought leadership) in the near term.

#### **Pegasystems ([www.pegasystems.com](http://www.pegasystems.com))**

Pegasystems operates in the business rules engine marketplace but aims its solutions squarely at the CRM arena. As Web services models grow in importance so too will the requirement to have business rules engines defining component processes. Pegasystems has successfully defined a series of vertically oriented solutions for defining business rules in such businesses as healthcare and retail banking, among others. In time, enterprises wishing to implement an all-encompassing CRM ecosystem are likely to make their first stop at Pegasystems and fill in the gaps with other best-of-breed solutions.

#### **Peoplesoft ([www.peoplesoft.com](http://www.peoplesoft.com))**

Peoplesoft appears very determined to put together a compelling alternative to Siebel CRM solutions. Its recent acquisition of Annuncio—a leading player in the e-marketing segment—comes hot on the heels of its announcement of Peoplesoft CRM 8. This latest version of its CRM suite was greeted by several market analysts as being ahead of the game in terms of functionality and architecture. The all-Internet product requires no client code, which means that it can easily be distributed and personalized for different communities. With the addition of Annuncio's e-marketing functionality Peoplesoft is becoming a highly credible Siebel opponent. The Annuncio acquisition addresses a big flaw in its product offering—namely weakening marketing functionality.

#### **Plumtree ([www.plumtree.com](http://www.plumtree.com))**

Plumtree is a very important player in the portal market and has recently started focusing heavily on the Web services infrastructure market as the one it wants to own. Given this positioning it is head-to-head with Bowstreet.

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However, given its impressive installed base (in the portal market) it promises to be more often head-to-head with SAP for major Web services–based CRM implementation bids.

As the company itself puts it, “The business desktop of the future will come from the Web, integrating applications, documents and Web services into an experience simple enough for everybody to use, anywhere. Plumtree has developed what we call a corporate portal to power this Internet business desktop. With over 300 customers and five million licensed users, the Plumtree Corporate Portal is the most scalable, widely deployed portal software on the market.”

Therefore, there is no question that Plumtree intends to own a large chunk of the portal and emerging Web services market. Ironically, given SAP’s very public launch into the portal space, Cadbury Schweppes recently implemented a Plumtree-based portal solution to give employees access to SAP ERP data corporationwide.

#### **Primus ([www.primus.com](http://www.primus.com))**

Primus focuses on the call center market for its so-called knowledge management solutions. When integrated with front-office applications, Primus products can give technical support staff or customer support operatives access to critical company information just in time. Such products, when sitting alongside customer interaction management solutions, can actively enhance the customer experience and empower contact center operatives.

Primus solutions can also be implemented where customers themselves need access to information—on self-help portals or in kiosk environments. Indeed, the knowledge management dimension of CRM is often overlooked.

#### **Remedy ([www.remedy.com](http://www.remedy.com))**

Remedy was recently acquired by Peregrine Systems. Remedy’s CRM applications are now embraced by Peregrine’s enterprise e-business suite. Remedy was strong in customer support areas, and this represents an attempt by Peregrine to round out its overall enterprise offerings. However, the markets appear to have taken the view that Peregrine is somewhat of a second-tier player in the enterprise space and fully integrating Remedy’s products is likely to be somewhat of a challenge.

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**Responsys ([www.responsys.com](http://www.responsys.com))**

Responsys describes itself as a leader in interactive CRM solutions—implying that most other CRM solutions are not interactive. However, the company may have a point.

I have a fondness for the Responsys corporate vision (even if it is somewhat cheesy). Whether Responsys is the only company required to achieve this vision is debatable. But the vision is laudable.

“[Responsys] aims to become the leading provider of interactive Customer Relationship Management (iCRM) solutions—providing Global 2000 businesses with the standard platform for personalized web experiences with their customers.

[Responsys wants] to help our clients put the Customer Profile at the center of their business, so they can automate personalized and relevant online dialogues with their customers.

We are convinced those dialogues will result in greater loyalty, profits, and ROI for our customers.

We believe that opt-in is sacred.

That everybody deserves to be communicated with as an individual.

And that in the 21st Century, brand isn't image. It isn't messaging. And it isn't position.

In today's marketplace, Brand is Technology.

And it's our vision to be the platform that creates the winning brands of tomorrow.”

**Market Tools ([www.markettools.com](http://www.markettools.com))**

Over time, CRM and e-marketing suites will grow to embrace market research tools. Market Tools is a market leader in on-line research technology and a pioneer in the area. While still privately held, the company has received considerable VC and partner funding. WPP Group and General Mills

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recently became equity backers. The company also has a partnership with SAS.

### **Outsourcers**

Outsourcers is not a company as such. Rather it is a number of players, but worth mentioning in this context. The past few years have seen the establishment and growth of a handful of outsourcers that have committed themselves to providing better customer management processes to companies that embrace multiple communications channels for customer dialog.

A few of these companies have been start-ups overtly established to manage multiple channels, using new-breed contact center software from such companies as Kana and Amacis. Others were more “traditional” outsourced call center operations that moved into the call center space. In this latter category I would include companies such as Stream International (now part of Solectron) and Vertex in the United Kingdom. Typical new kids on the block—companies that perhaps focus more on electronic customer engagement—include GEM ([www.the-gem.com](http://www.the-gem.com)), based in Northern Ireland and having Amazon and Microsoft within its client base, and Brigade ([brigade.com](http://brigade.com)) in the United States whose client list includes Compaq.

### **SAP ([www.sap.com](http://www.sap.com))**

SAP is a leading player in the ERP market and has every intention of stealing the lion’s share of the enterprise CRM market. With its mySAP CRM suite and emerging portal products solution, SAP is a potentially huge player in the CRM market for several reasons.

SAP has recognized that integration middleware, portal functionality, and enterprise-class applications, when brought together could potentially spell disaster for hard-wired CRM application suites. SAP’s acquisition of Top Tier, an Israel-based portal software company, has given it rich, technology-leading software. With its huge installed base of ERP, its access to a considerable portfolio of “portlet” applications, and its considerable global people resources, there is little doubt that SAP will make the enterprise software market its own.

However, it has taken risks in making public its avid belief in portals. There is still a reluctance on the part of CIOs to take the leap into developing fully integrated enterprise applications. Therefore, SAP is facing a consider-

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able market development challenge. If any software company is positioned to achieve this, however, SAP is.

### **SAS ([www.sas.com](http://www.sas.com))**

SAS, or SAS Institute as it used to be known, is a leader in analytical software. Given the fondness for analytics in CRM circles, the company has repositioned itself to be seen more as an e-business company than as a back-office expert tool.

SAS likes data warehouses. Its analysis tools allow large customer data sets to be analyzed to support lots of transactional decision-making. For example, SAS software is used to assess credit risk by Wells Fargo Bank's mortgage risk division.

SAS is the world's largest privately held software company and has a considerable pedigree in the industry. Its alliance partnerships spread far and wide, and the depth of its analytical offerings are significant.

### **Siebel Systems ([www.siebel.com](http://www.siebel.com))**

Siebel is to CRM what Hoover is to vacuum cleaners. The fact is, however, that these days a vacuum cleaner from Dyson is much better than a Hoover. Siebel has attempted to mandate its component products on its corporate customer base by taking a dim view of best-of-breed products interworking using XML based integration methodologies. While charging technology partners hundreds of thousands of dollars to be associated with the Siebel brand, it has little hesitation in recommending an in-house component over an out-of-house component from a so-called partner company.

Despite what I think, however, Siebel continues to forge ahead, particularly in the sales force automation and contact center spaces, and its revenue numbers continue to confound Wall Street. However, as companies such as BEA continue to improve middleware offerings and embrace open standards—and portal-based applications become more and more like hard-wired applications in look and feel—Siebel has its work cut out to stay on top of the CRM application market.

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**Tibco ([www.tibco.com](http://www.tibco.com))**

Like Plumtree and Top Tier (now SAP), Tibco is a portal company that is rapidly transforming itself into a Web services infrastructure player and is actively targeting customer-facing areas as a growth segment.

Tibco's product range includes adapters into legacy applications, enterprise backbone solutions, and portal technology. This allows all key parties to customer transactions and communications within an organization to have up-to-date operational information. Tibco also has powerful integration management applications that police workflow and extend the portal outside the enterprise using EDI, XML, and other data integration technologies.

Tibco is not a CRM player so much as an extremely important component technology for CRM implementations. Over time we will see a growth in "softer" CRM applications being built using a Tibco architecture. The company's revenue and profit performance has been impressive and it has weathered the downturn well.

**webMethods ([www.webmethods.com](http://www.webmethods.com))**

webMethods is another enterprise integration company that has been perhaps less successful than Tibco in developing an all-encompassing enterprise integration platform. Because webMethods comes from an application integration background and is less associated with portal technology, its offerings, in some corners, may be seen as less comprehensive.

However, webMethods has a considerable reputation for application integration, and its adapter technology makes it an integration software leader. It has also developed a close working partnership with Siebel that is very valuable from an installed-base marketing point of view.

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## *About the Author*

Jeffrey Peel runs his own CRM and marketing consultancy practice, Quadriga Consulting ([www.quadrigaconsulting.com](http://www.quadrigaconsulting.com)), based in the United Kingdom. He has had a varied career in CRM, marketing research, and technology marketing. He was VP of global marketing for a European CRM software startup (Amacis Ltd.) and was head of marketing communications for a division of 3Com Corp. He has also held senior IT research roles in Roper Starch in Princeton, New Jersey (now part of NOP), and Research International in London (part of marketing services giant WPP Group). He is married to Liz and has two children, Jessica and James.

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